BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:
DOCKET NO. 130009-EI
NUCLEAR COST RECOVERY CLAUSE.
_____/

VOLUME 3

Pages 515 through 649

PROCEEDINGS: HEARING

COMMISSIONERS PARTICIPATING: CHAIRMAN RONALD A. BRISÉ
COMMISSIONER LISA POLAK EDGAR
COMMISSIONER ART GRAHAM
COMMISSIONER EDUARDO E. BALBIS
COMMISSIONER JULIE I. BROWN

DATE: Monday, August 5, 2013

TIME: Commenced at 1:37 p.m.
Concluded at 2:48 p.m.

PLACE: Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: JANE FAUROT, RPR
Official FPSC Reporter
(850) 413-6732

APPEARANCES: (As heretofore noted.)

I N D E X

WITNESSES

EXHIBITS

NUMBER:		ID.	ADMTD.
113	Platts Article on COL Delays Due to Sequester	613	647
114	Concentric Energy Advisors' Estimate of AP1000 Costs	622	647
2-11			647

P R O C E E D I N G S

(Transcript follows in sequence from Volume 2.)

CHAIRMAN BRISÉ: Good afternoon. We are going to reconvene at this time. We are going to go ahead and get ready to take testimony or call witnesses. And if all the witnesses that are going to testify, if you are present, please rise with me so that we can administer the oath. Raise your right hand.

(Witnesses sworn.)

CHAIRMAN BRISÉ: All right. Thank you very much.

Okay. Witnesses will have four minutes to provide their summaries, and after that they will be tendered for cross-examination.

MS. CANO: Thank you. FPL calls Steven Scroggs.

STEVEN SCROGGS

was called as a witness on behalf of Florida Power and Light Company, and having been duly sworn, testified as follows:

DIRECT EXAMINATION

BY MS. CANO:

Q. And, Mr. Scroggs, you were just sworn, correct?

A. Yes, that's correct.

Q. Would you please state your name and business address for the record?

A. My name is Steven Scroggs. I work for Florida Power and Light Company at 700 Universe Boulevard in Juno Beach, Florida.

Q. By whom are you employed and in what capacity?

A. Florida Power and Light Company as the Senior Director of Project Development.

Q. Did you prepare and cause to be filed 38 pages of Prefiled Direct Testimony in this proceeding on March 1st, 2013?

A. Yes, I did.

Q. And did you also prepare and cause to be filed 40 page of Direct Testimony in this proceeding on May 1st?

A. Yes, I have.

Q. Do you have any changes or revisions to your Prefiled Direct Testimony?

A. No, I do not.

Q. If I were to ask you the same questions contained in your Prefiled Direct Testimony, would your answers be the same?

A. Yes, they would.

MS. CANO: Chairman Brisé, FPL asks that the

Prefiled Direct Testimony be inserted into the record as though read.

CHAIRMAN BRISÉ: Thank you. We will enter the prefiled testimony into the record as though read for Witness Scroggs.

MS. CANO: Thank you.

CHAIRMAN BRISÉ: Seeing no objections. Okay.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

DIRECT TESTIMONY OF STEVEN D. SCROGGS

DOCKET NO. 130009-EI

MARCH 1, 2013

Q. Please state your name and business address.

A. My name is Steven D. Scroggs and my business address is 700 Universe Boulevard, Juno Beach, FL 33408.

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

A. I am employed by Florida Power & Light Company (FPL) as Senior Director, Project Development. In this position I have responsibility for the development of power generation projects.

Q. Please describe your duties and responsibilities with regard to the development of new nuclear generation to meet FPL customer needs.

A. Commencing in the summer of 2006, I was assigned the responsibility for leading the investigation into the potential of adding new nuclear generation to FPL's system, and the subsequent development of new nuclear generation additions to FPL's power generation fleet. I currently lead the development of FPL's Turkey Point Nuclear Units 6 and 7 (Turkey Point 6 & 7).

Q. Please describe your educational background and professional experience.

A. I graduated from the University of Missouri – Columbia in 1984 with a Bachelor of Science Degree in Mechanical Engineering. From 1984 until 1994, I served in the United States Navy as a Nuclear Submarine Officer. From 1994 to 1996, I was a research associate at The Pennsylvania State University, where I earned a Master of Science Degree in Mechanical Engineering. I provided consulting and management services to the regulated and unregulated power generation industry through a number of positions until 2003, when I joined FPL as Manager, Resource Assessment and Planning.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to describe FPL's activities and costs incurred in relation to the Turkey Point 6 & 7 project throughout 2012. Accordingly, this March 1 testimony contains information with respect to the project as of December 31, 2012. My testimony describes the deliberate, stepwise process FPL continues to manage so that FPL will have the opportunity to add new nuclear generation capacity for its customers. Specifically, I discuss the progress made on the project, key issues faced in 2012, and how those issues were evaluated and resolved. I also explain the Turkey Point 6 & 7 project internal controls and how those controls, supported by internal and external oversight, provide for diligent and professional project execution. Further, my testimony provides the actual expenditures incurred in 2012 and compares those expenditures to the actual/estimated values provided to the Florida Public Service Commission (FPSC) on April 27, 2012. Collectively, my

testimony provides the information necessary to demonstrate that FPL's 2012 costs for the project were prudently incurred.

Q. Please describe how your testimony is organized.

A. My testimony includes the following sections:

1. High Level Project Summary and Issues
2. 2012 Project Activities and Results
3. Project Management Internal Controls
4. Procurement Processes and Controls
5. Internal/External Audits and Reviews
6. 2012 Pre-construction and Site Selection Costs

Q. Please summarize your testimony.

A. During 2012, FPL continued to make progress on the licensing and permitting activities required for the Turkey Point 6 & 7 project, and maintained costs well within the annual budget. FPL continued its disciplined pursuit of the approvals and authorizations necessary to establish the opportunity to add the benefits of new nuclear generation for its customers. The benefits of adding new nuclear generation to FPL's system were confirmed by the 2012 annual feasibility analysis approved by Order No. PSC-12-0650-FOF-EI.

FPL achieved key milestones in the Site Certification Application (SCA) process, for example, by receiving notification that its application was complete and by moving to the next agency review stage. In the Nuclear Regulatory Commission (NRC) licensing process, significant progress was

made responding to Requests for Additional Information (RAIs) related to seismic issues and alternative sites and updating the Combined Operating License Application (COLA) with Revision 4. FPL has maintained its disciplined and steady approach in the execution of the project, while displaying a willingness to adapt project timelines to ensure an inclusive and complete review.

The project is being managed by a professional team of engineers, analysts, and managers to ensure process controls are maintained and activities comply with applicable corporate procedures and project-specific instructions. The project management process is being conducted in a well-informed, transparent and organized manner enabling executive oversight and facilitating reviews by internal and external parties. The Turkey Point 6 & 7 project team has the skills, experience, and executive oversight to guide the project through critical decisions using the best available information. This disciplined application of good business process by well-qualified FPL managers and their staff resulted in prudent decisions with respect to project activities and expenditures.

Q. Are you sponsoring any exhibits in this proceeding?

A. Yes, I am sponsoring or co-sponsoring the following exhibits:

- SDS-1, consisting of T-schedules T-1 through T-7 covering the 2012 actual period for the Turkey Point 6 & 7 project Site Selection and Pre-construction costs. Page 2 of SDS-1 contains a table of contents listing the

T-schedules sponsored and co-sponsored by FPL Witness Powers and by me, respectively.

- SDS-2, consisting of a table listing all licenses, permits and approvals FPL is preparing to support the Turkey Point 6 & 7 project.
- SDS-3, consisting of a comprehensive list of procedures and work instructions that govern the internal controls processes.
- SDS-4, consisting of a list describing various project reports, their periodicity and target audience.
- SDS-5, consisting of a comprehensive list of project instructions and forms.
- SDS-6, consisting of summary tables of the 2012 expenditures.

HIGH LEVEL PROJECT SUMMARY & ISSUES

Q. What are the customer benefits that justify the continued pursuit of new nuclear generation?

A. The benefits to FPL customers offered by additional nuclear generation are numerous. The key benefits relate to FPL's core mission of providing reliable electric service at reasonable rates. The fuel required for nuclear generation is not dependent on natural gas pipelines, railroad or maritime distribution systems or subject to volatile energy markets. Therefore, nuclear generation greatly adds to the reliability of a system by increasing fuel diversity, fuel supply reliability and energy security. Nuclear fuel markets provide a stable

cost input reducing the impact to monthly customer bills that result from fuel price volatility. In addition, the location of 2,200 MW of baseload generation in Miami-Dade County helps to maintain a balance of generation and load in Southeastern Florida. The feasibility analyses approved by the FPSC in 2008, 2009, 2010, 2011 and 2012 demonstrate the robust cost-effective nature of nuclear generation when compared to other baseload generation alternatives. Finally, nuclear generation is recognized as an important component of meeting state and national energy goals in addressing greenhouse gas reduction. By employing an approach that maintains progress, even during dynamic and demanding times, FPL is creating the opportunity to deliver those benefits on the most practicable schedule.

Q. Please expand on the value of FPL's approach to developing new nuclear generation.

A. Without the approvals, licenses, and permits needed to construct and operate a new nuclear facility, the opportunity and timeline for customers to benefit from this valuable generation source is remote and uncertain. By taking the steps to obtain the licenses and approvals, further defining the specific project, FPL is accomplishing several key objectives. First, the uncertainties around the approval process and the final definition of the project are significantly reduced. Second, the market for providing the equipment and services needed to construct the project is allowed to further mature, leveraging observations from first wave projects. Lastly, a shorter time span between the decision to initiate construction activities and the commercial operation dates reduces

uncertainties in the underlying feasibility analysis and provides the best decision basis available.

By applying this deliberate and flexible approach, FPL is able to maximize progress and the collection of information necessary to make subsequent decisions, while minimizing the current cost exposure of customers.

Q. Please summarize the progress FPL made on the Turkey Point 6 & 7 project in 2012.

A. FPL made measurable progress in all regulatory processes towards obtaining all necessary licenses, permits, and approvals. The three key processes include the Combined License (COL) process administered by the NRC, wetland permits under the jurisdiction of the US Army Corps of Engineers (USACOE), and the SCA process, coordinated by the Florida Department of Environmental Protection (FDEP). In general, 2012 was another year of information exchange with agencies to ensure all relevant and required information necessary for agency evaluations had been provided.

During 2012, FPL continued to respond to NRC questions through the RAI process. Specific areas of focus included seismic and geologic issues from a safety perspective, and alternative sites from an environmental perspective. Activities, including public meetings, have resulted in satisfying most of the NRC's requests, with the balance expected to be complete in 2013. The

USACOE permitting process, as designed, has maintained pace with the NRC process.

In the state SCA process, several key milestones were achieved. For the transmission aspects of the project, FDEP completed its Project Analysis Report for FPL's proposed transmission corridors and the SCA process was amended to allow the inclusion of additional alternative corridors. For the plant aspects of the project, all agency reports have been submitted, with the exception of Miami-Dade County's report. An application was developed and submitted for additional zoning approvals required by Miami-Dade County in July 2012.

Project staff continued to monitor industry milestones and events to identify potential impacts to the overall Turkey Point 6 & 7 project cost and schedule and provide indicators as to when preparation phase activities are warranted. Activities included continued involvement in industry groups and site visits to observe key construction milestones at the Southern Company's (Southern) Vogtle Electric Generating Plant (Vogtle) and South Carolina Electric & Gas' (SCE&G) Summer AP1000 projects in Georgia and South Carolina, respectively.

Q. What key events occurred in 2012 that impacted the national and international nuclear industry?

A. As part of its efforts to incorporate lessons learned from the events at Fukushima in March 2011, the NRC issued guidelines and rules for addressing seismic reviews and beyond design basis events. While the NRC has acknowledged that the Westinghouse AP1000 technology (AP1000), the same technology proposed for the Turkey Point 6 & 7 project, is uniquely positioned to be able to withstand the effects of these events, additional reviews and analyses are being requested by the NRC as part of their review of the Turkey Point 6 & 7 project COLA.

In June, the U.S. Court of Appeals for the D.C. Circuit overruled and remanded the NRC's revised "Waste Confidence" rule. The Waste Confidence rule is a formal NRC finding of its confidence that the federal government will make available a national geologic repository for high level nuclear waste when necessary following the shutdown of reactors. The Waste Confidence rule also reflects the NRC's determination that spent fuel can be safely stored onsite during the period between plant shutdown and the opening of a repository. The NRC uses these generic findings to support its environmental review of individual reactor license and license renewal applications.

The Court held that: (1) the NRC must perform an environmental review of its Waste Confidence rule; (2) the environmental review must assess the consequences of a failure to establish a repository; and (3) the environmental

review must assess the risk of spent fuel pool leaks and fires during the period prior to the establishment of a repository. The NRC has announced that, while its review of pending applications will continue, it will not issue any final COLs for new reactors or reactor license renewals until it has finished its revised rulemaking in response to the remand. The NRC schedule for these activities calls for the revised rulemaking and environmental review to be complete in 24 months, or in the fall of 2014. This is consistent with FPL's current project schedule for receipt of the COL.

Q. What other national level issues are being monitored for the potential impact to cost and schedule of the Turkey Point 6 & 7 project?

A. Developments in 1) the economy, 2) energy policy (at national and regional levels), and 3) the progress of international and domestic projects have the potential to affect the project.

The downturn in the economy and its rate of recovery has the potential to impact facets of the project, including: access to and cost of financing, material and labor cost indices, and the development of national and international supply chains for new nuclear projects. The annual feasibility analyses address these issues in a disciplined and consistent manner each year. During 2012, a general improvement in the economy was observed and continued positive progress was demonstrated in supply chain development as Georgia Power's Vogtle and SCE&G's Summer new nuclear projects moved into full scale construction activities in 2012.

National energy policy continues to be supportive of nuclear energy in general, and new nuclear energy development specifically, even following the Japanese tsunami and subsequent Fukushima events in March 2011. Domestic and international nuclear construction projects using the AP1000 design have continued to make progress in 2012. In China, the Sanmen and Haiyang AP1000 projects are proceeding through the construction phase, projecting operation in 2014 and 2015, respectively. Observations from these projects include lessons regarding logistics and crane design and placement. Significant differences in labor and regulatory schemes limit the transferability of the full construction experience to U.S. projects.

Q. What project specific issues were monitored in 2012 for the potential impact to cost and schedule of the Turkey Point 6 & 7 project?

A. Project specific issues include 1) FPL system and regional economic developments influencing the annual feasibility analysis, and 2) the pace and outcome of permit and license application reviews. The economic impact of these factors on the project feasibility is reviewed annually.

Q. Was the feasibility of the Turkey Point 6 & 7 project re-evaluated in 2012?

A. Yes. A complete feasibility analysis was conducted to review the economics of the project using updated assumptions for system demand, fuel forecasts, environmental compliance costs, and alternative generation costs. The

analysis is a two-step process, consistent with the original analysis supporting the 2008 Need Order.

The first step takes the form of developing a "break-even" cost to determine what the nuclear project could cost and remain economically competitive with alternative baseload generation sources. That "break-even" cost is compared to the high end of the project cost estimate range. The results of the analysis confirmed that the estimated project costs are below the "break-even" costs in 5 of 7 fuel and environmental cost scenarios and at the high end of the range in the remaining two scenarios. These results continue to demonstrate that the new nuclear project remains the best economic alternative for FPL's customers. An updated feasibility analysis will be submitted May 1, 2013.

2012 PROJECT ACTIVITIES AND RESULTS

Q. What were the major activities for the Turkey Point 6 & 7 project during 2012?

A. The major activities centered around completing the agency reviews of the federal and state applications, obtaining local land use approvals, and activities supporting completion of the Underground Injection Control (UIC) exploratory well at the project site. Additionally, progress was made in several key development areas that may impact the pace of the Turkey Point 6 & 7 project.

Q. What were the specific activities and results associated with federal licensing processes for the Turkey Point 6 & 7 project in 2012?

A. In 2012, FPL continued to analyze NRC schedule changes, timely respond to requests for information, maintain an open dialogue with its regulators, and otherwise work to enable the federal agencies' continued progress on the approval of FPL's submittals.

The NRC published a revised COLA review schedule on October 27, 2011. The new schedule added time to the Final Safety Evaluation Report (FSER) and Final Environmental Impact Statement (FEIS) completion dates, but reduced the projected timeline to obtain the final COL. In 2012, FPL conducted a review to determine what effect the changes may have on FPL's overall project schedule. The review indicated that the target in-service dates of 2022 and 2023 for Units 6 & 7 respectively were still achievable, although margin had been reduced.

In 2011, FPL filed motions with the NRC's Atomic Safety and Licensing Board (ASLB) asking for dismissal of three contentions proposed by interveners. In 2012, FPL continued to participate in the ASLB process. In February 2012, the ASLB dismissed two of the three contentions. This greatly reduces the issues that will be ultimately contested before the ASLB in the final stages of the NRC COL process.

In December 2012, FPL addressed many of the items raised by the NRC through the RAI process and provided additional updates in its COLA Revision 4. Revision 4 included several key updates, including incorporation of the 2010 Census results, an update to the groundwater model for the project and the inclusion of several updates made to the Reference COL.

Additionally, the USACOE continued its review of the project as a cooperating agency with the NRC through the RAI process and participation in public meetings. FPL maintained a continuous dialogue with the USACOE to provide requested information.

Q. Please explain FPL's management of the RAI response process in 2012.

A. FPL relied on its qualified contractor, including expert subcontractors, to prepare responses in 2012. FPL closely monitored the quality of responses provided by its contractors and subcontractors. FPL also hired a third party expert to review the responses of its contractors and subcontractors for completeness and quality. In total, FPL responded to 133 RAIs in 2012.

Throughout early 2012, the NRC continued to pursue a rigorous review of seismic, geologic and geotechnical engineering information (Section 2.5) in the Safety Review and pursued a higher level of detail regarding FPL's Alternative Site analysis (Section 9.3) in the Environmental Review. These areas of particular NRC focus each represent one section of one chapter out of a combined approximately 30 chapters that make up these voluminous

documents. In May 2012, the NRC issued a letter to FPL indicating that until revisions were made, the staff would not make further progress in reviews of these sections. The NRC agreed to continue its reviews of other sections, but nonetheless indicated the COLA Review Schedule for the Turkey Point 6 & 7 project was "under review". The May letter further requested additional quality reviews. In July 2012, the NRC had a public meeting to discuss the seismic, geologic and geotechnical engineering questions as well as results and corrective actions as a result of FPL's quality assurance reviews. In December 2012, a second public meeting was held to address the Alternative Site issues.

FPL managed multiple initiatives, including internal reviews and contractor audits to ensure FPL's submissions fully satisfied the NRC staff. A revised COLA Review Schedule for the Turkey Point 6 & 7 project is anticipated in the first half of 2013. Once that schedule is received, FPL will conduct a review to determine any impacts to the project cost or schedule, as was done in early 2012.

Q. What were the specific activities and results associated with the state SCA and permitting of the Turkey Point 6 & 7 project in 2012?

A. The state SCA process is generally managed in two tracks: transmission and plant focus areas.

During 2012 the transmission track moved forward in two key areas. The FDEP reviewed agency reports and published its Project Analysis Report on Transmission, recommending approval of FPL's Preferred Corridors. Two alternative corridors, submitted in 2011, were accepted into the review process in 2012. Through its interactive dialogue with stakeholders, FPL became aware that additional alternative corridors were being considered. Because the SCA process is not currently on the critical path for the overall project, FPL decided that accommodations could be made without impacting the overall project schedule. In coordination with the FDEP, the SCA process was amended to allow for submittal of additional alternative corridors. Three additional corridors were proposed in December 2012 and are now under review for inclusion in the process.

As of the end of 2012, agency reports on plant and non-transmission related facilities had been submitted by all agencies with the exception of Miami-Dade County. In general, these agency reports support approval of the project, with specific conditions of certification designed to ensure compliance with substantive requirements of each agency. Specifically, Florida Fish and Wildlife Conservation Commission recommended approval of the project and features to avoid, minimize and mitigate impacts to listed species habitat. The South Florida Water Management District (SFWMD) recommended approval of the project, with a particular emphasis on supporting the choice of reclaimed water as the primary source, with radial

collector wells providing water from beneath Biscayne Bay as the backup source.

Within the SCA process the local government authority provides a determination regarding the consistency of the site with zoning and land use policies. Through the completeness process, Miami-Dade County indicated that additional zoning approvals were required for the Reclaimed Water Treatment Facility and the Radial Collector Wells. It is FPL's position that these are ancillary facilities, and as such, these necessary project features were incorporated in the zoning resolution provided in 2007. Nonetheless, in an effort to expedite this additional step, and without waiving its position, FPL submitted a zoning application in July 2012. This resulted in a request to modify the dates for Miami Dade County's Land Use Determination and its Agency Report on plant and non-transmission facilities. Again, because the SCA process is not currently on the critical path for the overall project, FPL determined that this additional process could be accommodated without impacting the overall project schedule.

Q. What were the specific development activities and results observed related to the Turkey Point 6 & 7 project in 2012?

A. The UIC Exploratory Well and Dual Zone Monitoring Well were successfully completed in mid-2012. This is an important interim step in obtaining the Construction and Operation permits under the FDEP's UIC program. The project confirmed the geologic expectations and general suitability for use as a

disposal well. The next phase is to obtain approvals that will allow FPL to conduct injection testing that will more fully demonstrate the capability of the well system and subsequent additional wells required. These activities will continue in 2013 and 2014.

Q. Please describe any activities associated with the negotiation or execution of commercial or development agreements supporting the Turkey Point 6 & 7 project in 2012.

A. During 2012, the Forging Reservation Agreement was the focus of continued negotiation between FPL and Westinghouse Electric Company. The original agreement was based on the original project schedule. While progress was made, a new agreement was not developed. The term of the current agreement has been extended to March 31, 2013. If an agreement is not reached, the current agreement will likely be extended again.

Additionally, in support of its western preferred corridor, FPL has been engaged in negotiations with multiple state and federal agencies to exchange its current owned transmission line corridor in the eastern Everglades for a combination of easements and property that would provide a continuous transmission right-of-way between north and south Miami-Dade County that would not be in Everglades National Park (ENP). Collectively, these efforts are referred to as the ENP land exchange. These negotiations are captured in participation agreements, authorized by federal legislation and are undergoing final environmental review by the National Park Service (NPS). In 2011, the

NPS began developing an Environmental Impact Statement (EIS) to review the impact of the proposed land exchange. In 2012, NPS staff continued the review, which is now expected to result in a Draft EIS in mid-2013 with the Final EIS and Record of Decision available in late 2013.

Q. Please describe FPL's decision making related to the timing of initiating certain Pre-construction activities and the implications of those decisions.

A. In early 2012, FPL prepared its projections for expenditures in 2013. According to the current project schedule (Rev. 6), certain Pre-construction activities were due to be initiated in 2013. These activities support early stage contracting and design work that precedes actual construction activities onsite. The decision was made in early 2012 to maintain these activities in 2013 given the expected pace of the regulatory reviews.

PROJECT MANAGEMENT INTERNAL CONTROLS

Q. Please describe the project management structure responsible for the Turkey Point 6 & 7 project.

A. The management structure for the Turkey Point 6 & 7 project reflects the dual nature of the project relying on a working combination of two key groups: Project Development and New Nuclear Projects. The organization of the project into these two key groups helps maintain a consistent management and reporting structure with specific focus and areas of responsibility, while

allowing the project the flexibility to grow and adapt over time. During 2012, William Maher (Director of Licensing – New Nuclear Projects) and I reported to William Yeager, Sr. Vice President of Engineering, Construction and Corporate Services (ECCS).

Project Development, which I lead, has the primary responsibility for the execution of development and licensing activities not within the purview of the NRC, as well as all project communication activities and FPSC interface. Similar to the way other generation development projects are executed within FPL, Project Development utilizes matrix relationships with key business units in the company to provide essential support. For example, legal and environmental services are provided by those business units through assigned personnel.

Recognizing the need for specific nuclear-based skills and experience, FPL established the New Nuclear Project team within ECCS to manage the complex and specialized nature of the COLA process and the engineering, procurement and construction activities. This team is managed by Mr. Maher. The New Nuclear Project team has direct responsibility for the production and management of the COLA as well as the engineering, procurement, site preparation, construction, and start-up aspects of the project. The project team will adjust staffing as the project evolves, ensuring access to the necessary

skill sets are maintained to accomplish project objectives in the most cost-effective manner.

Q. Please describe the project management and staffing approach employed on the Turkey Point 6 & 7 project.

A. The project is staffed by a combination of employees fully dedicated to the project, employees from FPL business units who devote a portion of their time to the project, and a select group of contractors and subcontractors whose subject matter expertise and skills are required to complete the considerable tasks related to this undertaking. Leading the staff is a project management team charged with monitoring the day-to-day execution and strategic direction of the project. The project management team provides routine, dedicated oversight of the project including a determination of the timing and content of external reviews. The project management team is supported by project controls professionals that execute the day-to-day project activities and provide direct oversight of procedural compliance. The project also benefits from routine review, supervision, and direction provided by FPL executive management.

Q. What are the key elements of the project management process used to manage the Turkey Point 6 & 7 project?

A. FPL routinely and methodically evaluates the risks, costs, and issues associated with the Turkey Point 6 & 7 project using a system of internal controls, routine project meetings and communication tools, management

reports and reviews, internal and external audits, and an annual feasibility analysis.

Q. Please describe the system of internal controls applicable to the project.

A. 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.

Exhibit SDS-3 provides a list of procedures and work instructions that govern the internal controls processes and expectations. These procedures and work instructions are employed by dedicated and experienced project controls personnel who functionally report through ECCS Project Controls and provide project oversight and analysis. The Project Controls organization helps to ensure appropriate management decisions are made based upon assessment of available information leading to reasonable costs. Accountability is clear and understood throughout the controls organization and is a cornerstone of the services they provide.

Q. Please describe the specific reports generated to monitor the project and the periodicity and audience for those reports.

A. The project relies on a series of weekly or monthly reports and has standing meetings to discuss forward-looking analysis with project managers. Exhibit SDS-4 provides a list describing the reports, and their periodicity and target audience.

Q. Please describe the staff responsible for administering these internal controls and their specific responsibilities.

A. The internal controls staffing for the project is comprised of four personnel. A Project Controls Director provides functional leadership, governance, and oversight. A Project Controls Manager provides cost and schedule direction and analysis, coordinates internal and external audit requests, holds meetings with project management to review cost and schedule performance, and reviews all cost, scope changes, schedules and performance indicators. A Project Controls Analyst participates in meetings with project management to review cost and schedule performance, provides information regarding cost, scope changes, schedules and performance indicators, maintains cost templates, supports the production of documents and responses to information requests, and meets monthly or as required with department heads on forecasting and commitments. A Construction Capital Cost Estimator manages the master schedule and maintains the master project estimate template.

Q. How were the internal controls developed?

A. Many of the internal controls procedures, processes or work instructions were pre-existing FPL company or department processes. However, due to the unique characteristics of the Turkey Point 6 & 7 project, cost templates were specifically developed for monitoring expenditures to support FPSC filing requirements and to facilitate associated reviews. FPL has contractually placed significant reporting requirements on contractors by requiring trend,

tracking and performance indicators. This allows the internal controls team to monitor events and trends on a forward-looking basis. As the project evolves, additional controls will be developed as necessary.

Q. What are Project Instructions and why are they needed?

A. In the course of project development, FPL identified a need to develop some business processes unique to new nuclear deployment. These processes generally involve conducting business in compliance with NextEra Energy, Inc. and FPL policies and procedures, but also recognize project-specific requirements. For example, specific instructions are needed to ensure compliance with additional NRC requirements for quality control and document retention. Direction for such specific areas of focus is provided to project staff through a set of FPL's New Nuclear Project - Project Instructions (NNP–PI). These Project Instructions establish a standard for the project team which provides guidance, sets expectations and drives consistency. Exhibit SDS-5 provides FPL's comprehensive list of project instructions and forms.

Q. What processes are used to manage project risk?

A. Cost and schedule risk is managed by ensuring the project team recognizes and understands the issues facing different sub-teams that comprise the overall project. A mix of weekly meetings with small teams, monthly meetings with select members of the project team, and routine executive briefings ensure the project benefits from sufficient and timely communication. Further, the information flow begins at the working level and is integrated as it moves to the project management team to ensure the issues are adequately captured and

the interaction with other portions of the project is properly assessed. These meetings result in several reports identified in Exhibit SDS-4. These routine meetings allow project management to obtain updates from key project team members, provide direction on the conduct of the project activities and maintain tight control over project progress, expenditures, and key decisions.

Each week the project team holds multiple status meetings. These meetings, held by teams within the project, track project activities at a level that allows most issues to be identified, discussed, and resolved at the working team level. Examples include the COLA team, the SCA team consisting of plant and transmission sub-teams, and others. For those issues that cannot be resolved at the working team level, project management has provided a multi-step process to elevate the issue to the appropriate level for resolution. Contractor performance is also tracked on a weekly basis. Schedule and cost metrics are monitored and reported in standard format reports to allow close monitoring of contractor performance.

The project team meets monthly to review project schedule, budget performance, and key project issues. Project risk is specifically tracked and reviewed. The monthly Cost Report meeting provides an opportunity to drill down on project cost issues and expectations. Project management also provides a routine update to FPL executive management. Normally once per month, this update provides the opportunity for robust dialogue between the

project management team, Business Unit leaders and executive management. While the executive team is always available for consultation on developing issues and opportunities, the routine meetings ensure a broad range of topics are regularly reviewed and discussed.

The project utilizes a quarterly risk assessment tool to identify, characterize and track project risks. Six areas are assessed to identify key issues, estimate probability or likelihood of occurrence (high, medium, and low), and the magnitude of potential consequences (high, medium, and low). Further, mitigation actions or strategies to be employed to manage the risk are described. A monthly project dashboard report complements the Quarterly Risk Analysis. This document allows for monthly trending of project risk areas unique to the Turkey Point 6 & 7 project.

Q. What other periodic reviews are conducted to ensure the project is appropriately reviewed and analyzed?

A. Internal and external audits occur during the course of the project to ensure the project adheres to all corporate guidelines for financial accounting as well as employing best management and internal controls practices. When a deficiency is identified in an audit, an analysis is conducted to determine the cause of the deficiency and corrective actions are implemented to ensure the deficiencies are mitigated going forward.

The project is reviewed annually to determine its continued economic feasibility. This analysis is conducted in the same framework as the analysis accepted during the Need Determination proceeding, but is updated to reflect what is currently known regarding project cost, project schedule, and the cost and viability of alternative generation technologies. The analyses presented in the April 2012 Nuclear Cost Recovery (NCR) filings demonstrate the project remains feasible. An updated feasibility study will be filed on May 1, 2013.

Q. What other activities has FPL undertaken to ensure its decision processes are informed by the most current national and international industry information?

A. FPL is an industry leader in nuclear generation, and as such, has the experience, contacts, and industry presence to engage in many forums for exploration of nuclear industry issues. Nonetheless, the specific challenges of new nuclear deployment have created focus areas requiring additional coordination between entities involved in new plant licensing, construction, and operation. FPL participates in four key industry groups providing value to the Turkey Point 6 & 7 project. For several years, the NuStart Consortium has provided FPL access to the Reference COL (Southern's Vogtle Plant) and associated information developed by other AP1000 applicants necessary to maintain the Turkey Point 6 & 7 project COLA. In 2012, NuStart was also responsible for supporting the design finalization of the AP1000 technology. This involvement was essential in supporting the federal licensing process, which has resulted in the successful NRC authorization of the issuance of a

COL for the Vogtle 3 and 4 project. In addition, the Design Centered Working Group was formed to provide coordination among owners, vendors, and the NRC related to design modifications of the AP1000. This critical activity is necessary to ensure design changes for the AP1000 are made through a consensus process with the involvement of the NRC to preserve standardization of design, a cornerstone of new nuclear development. FPL also is a member of the AP1000 owners group (APOG) (a consortium of owners of the AP1000 design) and of the Advanced Nuclear Technology group organized by the Electric Power Research Institute (EPRI). These groups are primarily forums to identify and resolve issues that are of primary interest to owners, such as staffing, training and maintenance activities. For example, programs such as Procurement Specification Development, Equipment and Nuclear Fuel Reliability improvements, Advancing Welding Practices, and Modular Equipment Testing and Benchmarking provide FPL increased efficiency in program development and implementation resulting in future cost savings. The principle of standardization through operations and maintenance requires this level of industry coordination and dialogue. These different groups have unique and important roles in the successful execution of new nuclear deployment in the United States. Achieving the goal of industry standardization and realizing the associated economic and operational efficiencies requires active participation by industry participants in these venues.

Q. What steps were taken to ensure project expenditures are properly authorized?

A. For initial commitments, an approved request directed Integrated Supply Chain (ISC) to formally contract with the selected supplier. Initial commitments required appropriate authorizations including all documentation required by Corporate Procedures. This included contracts, purchase orders, notice to proceed, and, if required, a single or sole source justification. For Contract Change Orders (CCOs), the requests were authorized at the appropriate level and the CCOs executed prior to releasing the supplier to perform the requested scope of work. Tracking systems and processes were used to document and record procurement activities and to obtain the appropriate level of management authorization for expenditures.

Q. How would you summarize FPL's overall approach to project management in relation to the Turkey Point 6 & 7 project?

A. FPL followed robust project planning, management, and execution processes to manage the Turkey Point 6 & 7 project. These efforts were led by personnel with significant experience in project management and development supported by project management professionals trained in the deliberate execution of critical infrastructure projects through a comprehensive set of internal controls. Additionally, FPL capitalized on the experience of its other power generation development projects by implementing lessons learned by those project teams. Finally, FPL implemented an ongoing internal auditing and quality assurance process to continuously monitor compliance with the

controls discussed above. In summary, FPL had the right people with the right tools and oversight making decisions with the best available information. For all of these reasons, FPL is confident that its Turkey Point 6 & 7 project management decisions were well-founded and reasonable.

Further, FPL recognizes the unique nature of new nuclear deployment demanding a continuous watch be maintained to monitor developments in policy, regulatory and economic arenas. An ongoing analysis and incorporation of these events is necessary to ensure the appropriate actions are taken at the right time to establish the option for new nuclear generation. The application of sound project management fundamentals and critical questioning provides the best results.

PROCUREMENT PROCESSES AND CONTROLS

Q. What was FPL's preferred method of procurement and when might it be in the best interest of the project to use another method?

A. The preferred approach for the procurement of materials or services was to use competitive bidding. FPL benefitted from its strong market presence allowing it to leverage corporate-wide procurement activities to the specific benefit of individual project procurement activities. Maintaining a relationship with a range of service providers offered the opportunity to assess

capabilities, respond to changing resource loads and remain knowledgeable of current market trends and cost of service.

However, in certain situations the use of single or sole source procurement was in the best interest of the company and its customers. In some cases there was a limited pool of qualified entities to perform specific services or provide certain goods and materials. In other cases a service provider was engaged to conduct a specific scope of work based on a competitive bid or other analysis and additional scope was identified that the vendor could efficiently provide. Circumstances such as the above examples are common in the nuclear industry, and especially on complex long-term projects such as the Turkey Point 6 & 7 project.

Q. Do you anticipate the use of single or sole source procurement practices will change over the course of the project?

A. Yes. As the project moves through various phases, the proportion of single source procurement will shift based on the nature of the major expenditures associated with each phase. During the licensing phase, the majority of the costs are expended on the federal licensing activities, which have been or will be competitively bid. In contrast, the next phase of the project will involve proprietary engineering and procurement activity that FPL must contract from the equipment provider, a sole source of these goods and services. Then, as the project moves to construction, FPL is taking steps to develop credible providers who can competitively bid specific scopes of the construction work.

Developing a set of credible competitors, especially for the very large and complex construction phase, requires a concerted effort, but is expected to result in reduced costs regardless of which vendor is selected.

Q. Please describe the single and sole source procurement procedures that applied to the Turkey Point 6 & 7 project.

A. NextEra Energy, Inc. corporate policy NEE-PRO-1470 requires proper documentation and authorization for single or sole source procurement. Such authorization must be from an individual with a commitment/spend authority at least equal to the value of the good or service being procured. The procedure also calls for a review of the justification for reasonableness. Throughout 2012, FPL maintained its vigilance in creating adequate single or sole source documentation consistent with NEE-PRO-1470.

Q. What is a Predetermined Source (PDS) and how has FPL used this type of source to ensure procurement decisions are prudent and costs are reasonable?

A. A PDS is a source that has demonstrated through a competitive evaluation and/or other documented economic analysis to be the preferred source for particular goods or services. A PDS is designated by the FPL ISC in accordance with the Predetermined Sources section of the FPL Procurement Process Manual. The New Nuclear Project sourcing team determined PDS designations would be appropriate for certain project sources, primarily to streamline the process being used for CCOs. Previously, all CCOs were handled as single or sole source justifications, even if the underlying initial

commitment was competitively bid. Such procurement management is a standard trade practice used to increase procurement efficiency.

For additional work beyond authorized limits, the full FPL requisition and procurement process requirements must be met in order to increase the limits as required by additional work scope being authorized. Other work awarded to the same supplier for different scopes of work are still subject to the full FPL procurement process requirements.

In 2012, FPL had five vendors under PDS status for the New Nuclear Project. Bechtel, Westinghouse, Environmental and Consulting Technology, Inc. (ECT), Golder Associates, Inc., and McNabb Hydrogeologic Consulting, Inc. each provided a specific scope of services to the project. Because of their specific expertise and the evolving nature of the services provided, these vendors remain good candidates for PDS selection.

INTERNAL/EXTERNAL AUDITS AND REVIEWS

Q. What external audits or reviews have been conducted to ensure the project controls are adequate and costs are reasonable?

A. Concentric Energy Advisors (Concentric) has been engaged to conduct a review of the project internal controls, with a focus on management processes, as was conducted in 2008, 2009, 2010 and 2011. FPL has addressed all of

Concentric's recommendations from prior year reviews. Concentric's 2012 review is discussed by Witness Reed.

The FPSC Staff conducts a financial audit of the project ledger and accounts and an internal controls audit annually. The 2012 audits are currently underway.

Q. What internal audits or reviews were conducted to ensure the project controls are adequate and costs are reasonable?

A. An annual FPL internal audit focuses on ensuring that costs charged to the project are for Turkey Point 6 & 7 project related activities and are recorded in accordance with Rule 25-6.0423. This audit is underway to review the project costs for the period January 1, 2012 to December 31, 2012, the results of which will be available to the Commission, Commission Staff, and other parties upon completion in the second quarter of 2013.

2012 PRE-CONSTRUCTION AND SITE SELECTION COSTS

Q. Describe the Pre-construction costs incurred for the Turkey Point 6 & 7 project in 2012.

A. As represented in Exhibit SDS-6 and Exhibit SDS-1, Schedule T-6, FPL incurred a total of $29,565,631 in Pre-construction costs. This is $5,341,794 less than the April 27, 2012 Actual/Estimated costs of $34,907,425. The costs are broken down into the following categories: 1) Licensing $22,569,505; 2)

Permitting $1,004,335; 3) Engineering and Design $5,991,791; 4) Long Lead Procurement advanced payments $0; and 5) Power Block Engineering and Procurement $0.

Q. Please describe the costs incurred in the Licensing subcategory.

A. In 2012, Licensing costs were $22,569,505 as shown in Exhibit SDS-6 Table 2 and Exhibit SDS-1, Schedule T-6, Line 3. Licensing costs consist primarily of FPL employee, contractor labor, and specialty consulting services necessary to develop the COLA required for construction and operation of the Turkey Point 6 & 7 project and the state SCA providing state certification of the project. The largest portion of these expenditures, $11,430,903, was a result of costs incurred supporting the COLA process. This value is a combination of COLA Team Costs and Bechtel COLA contract payments.

The permit and license applications contain project specific information, assessments and studies required by the NRC, FDEP, and other federal, state, and local entities to support the reviews leading to decisions on the technical, environmental and social acceptability of the project. Some activities are common between applications, and therefore offer opportunities to coordinate efforts and manage costs. However, each application analyzes each issue from a unique perspective and may require differing levels of detail.

Q. Please explain the reasons behind the variances between the actual Licensing costs and the costs projected in the 2012 Nuclear Cost Recovery filing in Docket No. 120009-EI.

A. Licensing costs were $5,236,064 below plan primarily as a result of the protracted SCA schedule. This was partially offset by higher than projected COL costs due to an underestimation of NRC fees.

Q. Please describe the costs incurred in the Permitting subcategory.

A. In 2012, Permitting costs were $1,004,335 as shown in Exhibit SDS-6 Table 3 and Exhibit SDS-1, Schedule T-6, Line 4. Permitting costs consist primarily of project employees and legal services necessary to support the various license and permit applications required by the Turkey Point 6 & 7 project. Exhibit SDS-6, Table 3 provides a detailed breakdown of the Permitting subcategory costs in 2012, including a description of items included within each category.

Q. Please explain any variance between the actual Permitting costs and the costs provided in the 2012 Nuclear Cost Recovery filing.

A. Permitting costs were $459,633 below plan in 2012 primarily due to reduced support requirements caused by the protracted SCA schedule.

Q. Please describe the costs incurred in the Engineering and Design subcategory.

A. In 2012, Engineering and Design costs were $5,991,791 as shown in Exhibit SDS-6 Table 4 and Exhibit SDS-1, Schedule T-6, Line 5. Engineering and Design costs consist primarily of FPL employee services and/or engineering consulting services necessary to support the UIC exploratory well. Exhibit SDS-6 Table 4 provides a detailed breakdown of the Engineering and Design

subcategory costs in 2012, including a description of items included within each category.

In 2012, the majority of costs in the Engineering and Design subcategory were related to the installation of the UIC exploratory well. The exploratory well is a necessary interim step to obtaining the UIC operating permit, required for plant operations. Costs associated with EPRI's Advanced Nuclear Technology working group and membership in the APOG industry group are also included in the Engineering and Design category.

Q. Please explain any variance between the actual Engineering and Design costs and the costs provided in the 2012 Nuclear Cost Recovery filing.

A. Engineering and Design costs were $353,903 above plan primarily due to modifications to the drilling and testing plan for the UIC well and the need to provide for EPRI costs.

Q. Please describe the costs incurred in the Long Lead Procurement subcategory.

A. In 2012, there were no Long Lead Procurement costs.

Q. Please describe the costs incurred in the Power Block Engineering and Procurement subcategory.

A. In 2012, there were no Power Block Engineering and Procurement costs.

Q. Was there a variance between the actual Long Lead Procurement or Power Block Engineering and Procurement costs and the costs provided in the 2012 Nuclear Cost Recovery filing?

A. No.

Q. Were any costs expended in the Transmission category or during 2012?

A. No.

Q. Please describe the Site Selection costs incurred in 2012.

A. FPL's Site Selection work was completed in October 2007 with the filing of the Need Petition. The cost of $180,883 in this category relates to carrying charges. FPL Witness Powers supports the calculation of carrying charges.

Q. Were the 2012 project activities prudent and were the related costs prudently incurred?

A. Yes. All costs were incurred as a result of the deliberately managed process at the direction of a well-informed, properly qualified management team. The costs were incurred in the process of conducting the necessary Pre-construction activities such as obtaining the necessary licenses and permits for the Turkey Point 6 & 7 project. All costs were reviewed and approved under the direction of the Turkey Point 6 & 7 project management team and were made fully subject to project internal controls. Costs were processed using FPL standard procurement procedures and authorization processes, are reasonable and were prudently incurred.

Q. Does this conclude your testimony?

A. Yes.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

DIRECT TESTIMONY OF STEVEN D. SCROGGS

DOCKET NO. 130009-EI

May 1, 2013

Q. Please state your name and business address.

A. My name is Steven D. Scroggs. My business address is 700 Universe Boulevard, Juno Beach, Florida 33408.

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

A. I am employed by Florida Power & Light Company (FPL or the Company) as Senior Director, Project Development. In this position I have responsibility for the development of power generation projects to meet the needs of FPL's customers.

Q. Have you previously provided testimony in this docket?

A. Yes.

Q. Are you sponsoring or co-sponsoring any exhibits in this case?

A. Yes. I am sponsoring or co-sponsoring the following exhibits:

- Exhibit SDS-7, Turkey Point 6 & 7 Site Selection and Pre-construction Nuclear Filing Requirement (NFR) Schedules consisting of the 2013 Actual/Estimated (AE) Schedules, the 2014 Projection (P) Schedules and the 2014 True-up to Original (TOR) Schedules. The NFR

Schedules contain a table of contents listing the schedules sponsored and co-sponsored by FPL Witness Powers and me, respectively.

- Exhibit SDS-8, consisting of summary tables presenting the 2013 actual/estimated and 2014 projected Pre-construction costs for the Turkey Point 6 & 7 project.
- Exhibit SDS-9, Turkey Point 6 & 7 Project Benefits at a Glance.
- Exhibit SDS-10, New Nuclear Energy Timeline.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to provide a description of how the Turkey Point 6 & 7 project is being managed and controlled. The project undertakes the steps necessary to license, construct, and operate two Westinghouse designed AP1000 nuclear reactors (AP1000) and associated transmission and ancillary facilities at the Turkey Point site near the existing Turkey Point 3 & 4 nuclear units in southern Miami-Dade County. My testimony will provide insight into how project activities are managed given the near term focus on obtaining all licenses, authorizations, and approvals needed and the factors influencing key decisions affecting the nature, cost, and pace of that effort. I will also describe the projected expenditures for 2013 and 2014 allowing FPL to support and defend the applications requesting the required licenses and permits. FPL's 2013 and 2014 cost recovery requests, as in past years, include only amounts that are associated with the licensing activities currently underway. Notably, the request does not include any construction costs for the Turkey Point 6 & 7 project. No such costs are being incurred,

and such costs are not permitted to be recovered pursuant to the Nuclear Cost Recovery Rule.

Q. Please summarize your testimony.

A. FPL continues to carefully and methodically create the opportunity for additional reliable, cost-effective and fuel diverse nuclear generation to benefit FPL's customers. The approach applied to the management of the Turkey Point 6 & 7 project provides control of cost risks while maintaining progress towards delivery of new nuclear generation under the earliest practicable deployment schedule. The unique qualitative benefits of fuel diversity, energy security and zero greenhouse gas emissions offered by nuclear generation continue to compliment the persistent quantitative benefits projected for the project. Progress in other nuclear industry milestones (AP1000 international and U.S. construction) continues to provide positive indicators for progress in new nuclear plant deployment.

In 2013 and 2014 FPL will continue its progress on the project by concluding the state Site Certification Application (SCA) process and moving to the report review stage in the Nuclear Regulatory Commission's (NRC) Combined License Application (COLA) process. Expenses requested are related to obtaining the licenses and permits. Estimates covering planning and design studies needed to support the project schedule have been identified, but are not requested for recovery. Delays in the regulatory review process have been accommodated, maintaining the projected commercial operation dates

(CODs) of 2022 for Unit 6 and 2023 for Unit 7, however further delays are possible. Recognizing that the experience to date is a likely indicator of the remainder of the licensing phase, FPL's stepwise approach continues to provide FPL customers with the best opportunity to make steady progress on the project but avoid making premature commitments to engineering and materials costs.

Q. Would you please provide an overview of the expected benefits of the Turkey Point 6 & 7 project for FPL customers?

A. Yes. Taking into account the updated project information provided in this testimony, FPL expects the Turkey Point 6 & 7 project will:

- Provide estimated fuel cost savings for FPL's customers of approximately $804 million (nominal) in the first full year of operation based on a Medium Fuel Cost forecast;
- Provide estimated fuel cost savings for FPL's customers over the life of the project of approximately $78 billion (nominal) based on a Medium Fuel Cost forecast;
- Diversify FPL's fuel sources by decreasing reliance on natural gas by approximately 18% beginning in the first full year of two unit 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_2 emissions by an estimated 265 million tons over the life of the project, which is the equivalent of operating FPL's entire generating system with zero CO_2 emissions for over 6 years.

These quantifications are based on the May 2013 project feasibility analysis set forth in FPL Witness Sim's testimony and Exhibit SRS-1. The Turkey Point 6 & 7 project benefits are also included in my Exhibit SDS-9.

Q. Please describe how the remainder of your testimony is organized.

A. My testimony includes the following sections:

1. Policy Considerations
2. Project Approach
3. Process and Risk Management
4. Issues Potentially Affecting the Project
5. Key Decisions and Milestones
6. Project Cost and Feasibility
7. 2013 & 2014 Pre-construction Costs

POLICY CONSIDERATIONS

Q. Please provide background on Florida's Nuclear Cost Recovery statute.

A. Several key developments led to the establishment of Nuclear Cost Recovery as a means of resolving persistent issues in meeting the need for stable and reasonably priced, reliable electricity for the state of Florida. Primarily, the state's growing reliance on natural gas-fueled generation, highlighted by

volatile natural gas prices and supply reliability issues, created concern that insufficient fuel diversity threatened the long term economic stability of the state. These concerns were highlighted by hurricanes Katrina and Rita in 2005, which impacted natural gas production in the Gulf of Mexico and threatened FPL's fuel supply reliability. However, the growing reliance on natural gas fueled generation was a result of the difficulty in successfully being able to deploy baseload alternatives; most commonly fossil fuels (coal or oil fueled generation) or nuclear generation. For example, FPL's proposal in 2006 to build a clean coal power plant was denied by the Florida Public Service Commission (FPSC) due to uncertainties surrounding the future cost of carbon emissions. Nuclear Cost Recovery was initiated to directly address some of the challenges associated with deployment of nuclear generation to help improve fuel diversity. The act was subsequently amended to include Integrated Gasification Combined Cycle coal generation. A timeline depicting these events, and FPL's delivery of additional nuclear generation in fulfillment of the legislature's policy, is provided in Exhibit SDS-10.

Q. How did Florida's reliance on natural gas develop?

A. Throughout the last several decades, significant political, economic and technology changes occurred to reshape the state's generation portfolio away from a dependence on foreign oil in the 1970's to other fuel sources. At the same time, the nuclear industry was dealing with significant regulatory, cost and schedule challenges in deploying new units – essentially keeping nuclear from being an option in the 1980s and 1990s. The other traditional baseload

alternative, coal, had only been developed in limited amounts in Florida because of the significant logistical challenges and expense in delivering large quantities of coal from supply regions located in the country's interior and concerns and costs related to emissions. These factors opened the door for a new baseload technology. Deregulation of natural gas as a fuel for electric generation and the introduction and continued improvement of large scale combined cycle gas turbine technology combined to provide a cost-effective, efficient and low emissions alternative. As a result, combined cycle gas turbine plants have been the technology of choice for most generation additions in the state from the 1990s to today. While customers have benefited from these choices, recurrence of high and volatile natural gas prices or supply reliability issues would undoubtedly negatively impact customers and the Florida economy.

Q. What recent developments occurred to suggest nuclear generation would be a deployable alternative?

A. In the late 1990s, the NRC instituted a refined regulatory framework for the licensing of new nuclear generating units. This revised process front-loads and streamlines the licensing process, avoiding or minimizing many of the issues that created licensing complications for the prior generation of nuclear power plants. During that same period, a new generation of nuclear power plants were developed and poised for U.S. and international development. The federal Energy Policy Act of 2005 provided incentives and assurances that further incentivized renewed interest in nuclear generation in the U.S.

Consortiums were formed between potential owners and manufacturers that furthered several key projects to validate that the new designs and licensing processes would deliver the required certainty. By 2006, a host of new nuclear projects had been proposed in the U.S. With the passage of the Florida Energy Act of 2006 and the FPSC's adoption of the Nuclear Cost Recovery rule, deployment of new nuclear capacity in Florida to address fuel diversity concerns became a realistic option.

Q. What specific considerations were included in the Nuclear Cost Recovery rule as implemented by the FPSC?

A. A core principle of the Nuclear Cost Recovery rule is that of transparency. In order to satisfy that principle, applicants for cost recovery must satisfy a number of extensive reviews. In order to enter the annual cost recovery process, an applicant must first obtain an affirmative need determination verifying that the proposed generation is required to provide cost-effective and reliable electric generation. Annually, within the cost recovery process, the applicant must provide a full accounting for all factors of the project, including cost, schedule, decisions, and ongoing feasibility. This transparency allows the FPSC to conduct in-depth oversight of the utility's actions in real time – as the project proceeds, rather than in hindsight years after decisions are made and money is spent. The FPSC then makes a "reasonableness" determination as to costs projected for the project (prior to any recovery of those costs), and reviews historical costs for "prudence".

Q. How does the existence of the Nuclear Cost Recovery process assist FPL in bringing forward nuclear generation projects?

A. The statute and associated rule provides a stable and fair playing field for FPL to undertake the complex and challenging task of adding new nuclear capacity to its system. The process allows FPL to take the long-lead steps of licensing and pre-construction and pays off interest costs during construction, reducing costs to FPL's customers. Additionally, it enables FPL to go to the financial markets and obtain competitive financing rates for the large amount of capital required to fund the construction of the project.

Q. Does the implementation of the Nuclear Cost Recovery Clause (NCRC) provide savings for FPL customers?

A. Yes. Nuclear Cost Recovery enables customers to avoid paying for compounded interest during the approximately eight year construction period and reduces the overall amount that would be recovered from customers under normal rate base treatment by billions of dollars.

PROJECT APPROACH

Q. What is FPL's overall approach to developing Turkey Point 6 & 7?

A. FPL continues to develop Turkey Point 6 & 7 through a deliberate and careful process navigating through the four phases of project development: Exploratory, Licensing, Preparation, and Construction. The project has completed the Exploratory phase, and is currently focused on the Licensing

phase prior to initiating Preparation phase activities. The approach allows FPL to make progress on obtaining licenses and approvals without taking on the risks of committing to a specific construction schedule and the associated expenditures. For example, through 2014, FPL projects it will have spent a total of $218 million on the Turkey Point 6 & 7 project – approximately 1% of the total estimated project cost.

FPL's approach has been developed as a step-wise process. Routine monitoring of a wide range of factors and events is accomplished to help increase certainty and predictability, informing each subsequent step.

Q. Please expand on the concept of the step-wise process and how the risks related to the Turkey Point 6 & 7 project are controlled by key decisions.

A. The project team monitors a host of issues at local, state, and federal levels and across technical, commercial, economic, and regulatory areas of interest. The impact on cost, schedule, and quality are routinely assessed through a set of tools and reviews. If review indicates the potential for a considerable cost or schedule impact, mitigation actions are identified and are designed to eliminate, reduce, or defer the impact. If the magnitude of the impact materially affects cost or schedule, or changes the feasibility of the project, a decision is made as to whether such impact is acceptable in light of all current information. Annually the FPSC reviews the results of these changes. Alternative courses of action include continuing with a modified budget and schedule along with available mitigation actions, or halting a portion of the

project temporarily while the issue is further assessed or resolved. The alternative of slowing or halting a portion of the project in response to significant events or uncertainties offers a high level of risk control for FPL and its customers.

For example, the events of Fukushima in March 2011 and federal budget issues in 2012 and 2013 have placed a significant unexpected burden on the resources of the NRC. By deferring expense associated with pre-construction activity such as engineering, procurement, and planning, FPL controls the impact of schedule delays that can occur during licensing thereby lowering the project risk profile.

PROCESS AND RISK MANAGEMENT

Q. How is the Turkey Point 6 & 7 project management organized to maintain an on-going risk management focus?

A. The Turkey Point 6 & 7 project requires a wide range of skilled team members with experience in the development, design, construction and licensing of nuclear generation. There is also a significant volume of information generated as issues unique to new nuclear generation deployment are identified and evaluated. The project management structure of the Turkey Point 6 & 7 project provides for dedicated teams with the requisite subject matter expertise to be coordinated at all levels. This is accomplished through

a project organization and reporting structure that effectively identifies and applies resources to issues while maintaining transparent and open communications.

As described in my March 1, 2013 testimony, the project organization relies on two principal organizations jointly responsible for the integrated execution of the project. William Maher, Director of Licensing, manages the New Nuclear Plant (NNP) organization with responsibility for NRC licensing and project engineering and construction. I lead the Development organization for all other facets of project development, such as state Site Certification, local zoning approvals, public relations, and FPSC regulatory issues. As of April 2013, both Development and NNP began reporting to Mano Nazar, Executive Vice President of Nuclear and Chief Nuclear Officer. Each organization is supported by FPL business units with specific, recent success in the certification, NRC re-licensing, and permitting of multiple power generation units in Florida and is complemented by our national operating experience with renewable, natural gas, and nuclear generation assets.

FPL also gives careful consideration to how it contracts for support of the many license and permit applications. A combination of competitive bidding and single/sole source procurement is used, in compliance with FPL policies, to manage augmentation of FPL staff with qualified and experienced specialty contractors and service providers.

Q. What process and risk management tools does FPL apply to manage cost, risk, and schedule objectives?

A. FPL uses industry accepted project controls, systems, and practices to obtain a high level of control over the expenditures incurred and projected for all projects. The primary means of control are 1) the project budgeting and reporting process, 2) project schedule and activity reporting processes, 3) the contract management process for external service providers, and 4) internal and external oversight processes. These processes were fully described in my March 1, 2013 testimony and continue to be utilized in the oversight of the project.

Q. How are these tools reviewed over time and what new tools are being employed as a result of these reviews?

A. Effectiveness measures are included within some mechanisms and provided by external review processes. As an example, the Engineering & Construction Division Project Dashboard presents issues and the current trends for those issues. Over time, if a problematic issue continues to trend down or remains neutral, the effectiveness of the project management controls are investigated to determine if changes in approach can create improvement, or if mitigation measures are adequate. This tool is being employed to spotlight and trend issues presented by the Turkey Point 6 & 7 project.

Project Memoranda, describing the background and analysis considered in project decisions, are an example of a tool developed to ensure a higher level

of documentation and transparency in the management of the project. These memoranda document decisions made with respect to project features, contracts, cost estimates, and schedules.

Additionally, a quarterly risk summary tracks the assessment of project risks over time. This summary qualitatively gauges the probability of occurrence and impacts to implementation, cost, and schedule aspects of the project.

Q. What activities are employed by the project to address industry issues affecting the long term success and execution of the project?

A. FPL is involved in a number of areas to address issues relevant to new nuclear deployment. FPL participates in three specific groups comprised of new nuclear industry owners and design vendor(s). These include the Design Centered Working Group (DCWG), the AP1000 Owners Group (APOG), and the Advanced Nuclear Technology group. The collective purpose of these groups is to identify and resolve issues potentially affecting the licensing, design, construction, operation, and maintenance of the AP1000 design. Individually, each group provides a collaborative forum for owners to work with each other, the design vendor and the NRC to achieve standardized solutions to the issues facing all owners. This enables the industry to maintain a high level of standardization from the earliest stages of new nuclear deployment. Standardization of designs and processes provides benefits to FPL customers in terms of efficiency and cost control.

ISSUES POTENTIALLY AFFECTING THE PROJECT

Q. What are the international, national, and regional indicators being monitored for their effect on the Turkey Point 6 & 7 project?

A. These can be generally grouped into four areas. First, the NRC's response to the March 2011 Japanese earthquake and tsunami has increased review in certain areas. Second, progress of international and domestic new nuclear projects are important inputs to inform management decision-making for the Turkey Point 6 & 7 project. Third, developments in regional and national economy and energy policy have the potential to affect the feasibility of the project. Finally, there are several project specific issues that may impact the project.

Q. What impact has the NRC's response to the events of Fukushima had on the nuclear industry in general, and the Turkey Point 6 & 7 project specifically?

A. As described in my March 1, 2013 testimony, the NRC has taken actions and communicated plans that maintain a stable regulatory climate in the U.S. In consideration of the events, the NRC developed near term and long term objectives. Near term objectives focused on existing nuclear reactors, while long term objectives included plants under licensing. Most importantly for the Turkey Point 6 & 7 project, the NRC has approved the AP1000 Design Certification Document and the first two Combined Operating Licenses (COLs) for the AP1000 design – Southern Company's Vogtle Units 3 and 4

project (Vogtle) and the South Carolina Electric & Gas Summer project (Summer). The NRC indicated any future recommendations resulting from the Fukushima initiated reviews that are relevant to new reactor designs and owners/applicants could be capably integrated through existing NRC processes. By continuing to address these critical approvals, the NRC is maintaining the new nuclear deployment timeline anticipated prior to the Fukushima events. Specific to the Turkey Point 6 & 7 project, the NRC has required additional review of seismic, geotechnical and geological information for the site. These additional reviews have been conducted and the information has been provided to the NRC for its continued review.

Q. What do recent developments related to the progress of international and domestic new nuclear energy projects indicate with respect to the continued pursuit of the Turkey Point 6 & 7 project?

A. FPL is monitoring several AP1000 projects to capture issues and challenges and to learn from the experiences of those projects. Internationally, FPL is monitoring progress on the Sanmen 1 & 2 (China, AP1000) and Haiyang 1 & 2 (China, AP1000) projects. The Sanmen and Haiyang projects represent the lead units for the AP1000 technology. These projects have completed site preparation, poured their concrete foundations, accepted deliveries of major components and have started module assembly/placement, and major component installation. Recently the Sanmen project delayed its completion target by 11 months.

In the United States, multiple projects are underway. NRC resources are now actively engaged in monitoring the nuclear construction at Vogtle and South Summer. Both Vogtle and Summer continue to make good progress on construction, adjusting schedules and cost estimates to accommodate first wave challenges.

The collective status of international and domestic projects continues to demonstrate substantial and consistent progress is being made on the next generation of nuclear projects. Time will be necessary to gather lessons learned and strategies that best apply to the Turkey Point 6 & 7 project. In general, the pace of these projects is positive, but the milestones to be achieved in the next two years confirms FPL's choice to defer Preparation phase activities until greater certainty can be attained as a way to control implementation risks and incorporate lessons learned.

Q. What are the specific milestones FPL will monitor on leading U.S. projects in 2013 and 2014?

A. The pace of COLA reviews that precede Turkey Point (*i.e.*, Duke/Progress Levy, Duke Lee) give an indication of what FPL may experience. Federal budget issues have had some impact to date, and may have more significant impacts throughout 2013. Additionally, Southern Company has indicated that it may be able to complete negotiations with DOE on the Loan Guarantee for construction of the Vogtle project by mid-year. Some issues remain that could impact the cost/benefit of the Loan Guarantee, and therefore whether

Southern Company will judge that it is advantageous for its customers. If consummated, the results of this initial loan guarantee are expected to set the standard for any future federal loan guarantees.

The initiation of safety related construction at Vogtle and Summer is generating important information regarding construction planning logistics, labor, and supply chain elements in the U.S. This information will be important to guide the development of the construction execution plan for Turkey Point Units 6 & 7.

Q. What is the status of FPL's interest in a Department of Energy (DOE) Loan Guarantee for the Turkey Point 6 & 7 project?

A. FPL continues to monitor developments associated with the DOE Loan Guarantee program and will consider all opportunities that may provide demonstrable benefits to its customers. Upon execution of a loan guarantee associated with the Vogtle project, more information with respect to costs, benefits, and structure will emerge to allow for a better estimation of the costs and benefits for FPL. The initial program was set at $18 billion and the Vogtle project is expected to utilize less than 50% of that amount, meaning the balance of the funds may be available through a future solicitation. FPL is in communication with the DOE Loan Guarantee office and will consider all opportunities related to loan guarantees.

Q. What do recent developments related to the national and regional economy indicate with respect to the continued pursuit of the Turkey Point 6 & 7 project?

A. The economic downturn affected forward demand and fuel price forecasts, but it also reduced the rate of price escalation and the projected costs of materials and labor. The pace of recovery is expected to be steady but remain below historic growth rates for the near term. Additionally, the significant shift in supply relative to demand in the natural gas industry has created a near term reduction in natural gas prices and has reduced long range forecasts for price levels. FPL Witness Sim addresses the effect of changes in FPL demand forecasts and natural gas price forecasts on the economic feasibility of Turkey Point 6 & 7 and why completion of the project continues to be beneficial for customers.

Q. What do recent developments related to national and regional energy policy indicate with respect to the continued pursuit of the Turkey Point 6 & 7 project?

A. National energy policy, as articulated by the current administration, is supportive of nuclear energy in general, and new nuclear energy development in specific. The administration has reaffirmed its support for new nuclear power following the events of Fukushima. In general, while cautious, policymakers continue to recognize the long term value of and need for new nuclear generation capacity.

A legal challenge to the NRC's Waste Confidence Rule resulted in a requirement for the NRC to conduct an Environmental Impact Statement (EIS) and subsequent rulemaking process. Until a new rule is provided, the NRC has placed a hold on the issuance of any COLs. The process is projected to be completed by September 2014, but is also potentially subject to any delays created by federal budget issues and other resource demands on the NRC.

Regionally, the legislature continues to address questions related to Florida's energy mix, including a challenge to Nuclear Cost Recovery. However, issues cited as important in the FPSC's Need Order of April 2008 have not changed. Reliability, cost-effectiveness, fuel diversity, fuel supply reliability, and price stability are still benefits to be delivered by increasing nuclear generation capacity and are still needed by FPL's customers. A future plan not including new nuclear capacity increases and prolongs reliance on fossil fuels, increases exposure to fuel supply reliability and price volatility, and is not as effective at reducing system emissions, including greenhouse gas emissions, as a plan including new nuclear generation capacity.

Q. What project-specific areas does FPL monitor that may affect objectives for 2013 and 2014?

A. There are two important areas that may impact the cost, schedule, and ultimate success of the Turkey Point 6 & 7 project; the pace of the NRC license review and the pace of the SCA review.

The pace of license and application reviews is subject to many influences. These include budget constraints and resource allocation of the agencies involved, timely participation and response of agencies and stakeholders, and the political environment surrounding the agencies and governing bodies involved in key aspects of the project. Maintaining the active participation of these various parties over the course of the project is one of the unique challenges of new nuclear deployment.

In the federal process, the project expects to resolve the remaining outstanding requests from staff in the first part of 2013, revise the review schedule and proceed to public comment on a draft NRC Safety Evaluation Report (SER) and draft NRC EIS by year end.

In the state SCA process, the project received several key approvals and recommendations in the early part of 2013, clearing the way for the SCA hearing and Siting Board hearing in the latter part of the year. Assuming the current schedule remains on pace, this would effectively complete the state and local permitting activities. Activities in 2014 would include the completion of post-certification design and submittals.

Q. What are the factors that could impact the Turkey Point 6 & 7 COLA review schedule in 2013 and 2014?

A. There are several factors that may impact NRC resources, and therefore impact the Turkey Point review schedule. Ongoing federal budget issues may ultimately impact the resources available to conduct the Turkey Point COLA review on a timely schedule. At the same time, the NRC continues to process information generated for existing facilities as a follow up to the Fukushima events in March 2011. The NRC also continues to devote resources to address the Waste Confidence Rule, and have temporarily suspended any new licensing decisions until resolved. While this activity is scheduled to be complete by September 2014, changes to that schedule may impact resources available to process the Turkey Point COLA.

Specific to the Turkey Point 6 & 7 project, in 2012 and 2013, FPL received and responded to Requests for Additional Information (RAIs) from NRC staff in safety-related areas focusing on seismic issues and flooding events and in environmental areas focused on the characterization of alternative sites. Review of two sub-sections of the COLA related to this information was suspended pending FPL providing that information. The balance of the COLA review continued. Therefore the Turkey Point COLA schedule was placed "under review". Following discussion and several public meetings, the issues have been significantly narrowed and are expected to be fully answered by mid-2013. One additional public meeting remains to be conducted in later this year. Following that meeting, the NRC will have all information necessary to complete its review and provide a revised Turkey Point 6 & 7

COLA review schedule. The overall project schedule will be reviewed once a revised COLA review schedule is published.

Once satisfied, the Advance Final SER will be completed and the draft EIS would be published for comment. The time required to address remaining items and subsequently complete the SER and draft EIS will influence what substantive revisions are made to the COLA review schedule.

Q. What is the status of the U.S. Army Corps of Engineers (USACE) wetland permits and how is the pace of review linked to the NRC COLA schedule?

A. The USACE wetland permits are processed in coordination with the development of the EIS in the NRC COLA process. FPL continues to work with the USACE staff to answer their specific questions; however, any final action is necessarily linked to the timeline of the NRC EIS.

KEY DECISIONS AND MILESTONES

Q. What will be the focus of the project in 2013 and 2014?

A. The focus remains on obtaining the licenses, permits, and approvals necessary to construct and operate the Turkey Point 6 & 7 project. In 2013 the federal focus will be on completing all outstanding items to allow the NRC to revise the Turkey Point 6 & 7 COLA review schedule and publish the SER and draft

EIS. If successful, the project would be on track to complete the NRC and USACE processes in 2014.

Much of the project activity and efforts this year will be devoted to completing the Power Plant Siting process to obtain state Site Certification for the plant, ancillary facilities and associated transmission lines.

Q. What specific milestones are expected in relation to the NRC licensing process in 2013 and 2014?

A. In 2013, FPL will work with NRC and USACE staff to complete all RAIs and any other outstanding information needed to support production of the SER and draft EIS. Once completed, the NRC staff will develop a revised COLA review schedule. Consistent with earlier schedules, the SER could be completed within 10 months, including review by the Advisory Committee on Reactor Safeguards. The final EIS could be completed within 12 months following a period of public comment on the draft EIS. The mandatory NRC hearing that would culminate in the granting of the Combined License could be held within four months of the completion of the final EIS. Completion of the NRC review process could be accomplished in late 2014.

Q. What types of decisions does the project make in support of the NRC staff reviews?

A. The NRC staff may request additional analyses and studies to augment the initial submittal. These analyses can range from short topical studies to significant field studies and/or modeling. Project management will be making

decisions on the necessity, scope, and execution of any additional work scope. Similarly, NRC staff review may highlight opportunities for revisions to the project and commitments the Company may be asked to make regarding conditions of licensing. Revisions and commitments may result in additional project cost or schedule impacts.

Q. What specific milestones will be experienced related to the state Site Certification process in 2013 and 2014?

A. Considerable progress was made on key SCA milestones leading to the scheduled SCA hearing in July and August of 2013. In January 2013 the Miami-Dade Board of County Commissioners approved additional zoning for the project. Also in January, Miami-Dade submitted an affirmative Land Use consistency determination. Neither the County zoning approval nor the Land Use determination was challenged within the defined appeal periods. These events led to publication of the County's Agency Report and the Florida Department of Environmental Protection's Project Analysis Report, both of which recommend approval with conditions.

In preparation for the SCA hearing, FPL will continue to work with all agencies to ensure all legitimate issues have been addressed, and will seek to enter into stipulation agreements with willing parties to limit the number of issues that are unresolved in the hearing. The SCA hearing is the penultimate activity during which an Administrative Law Judge hears all evidence supporting the project's compliance with applicable substantive requirements

and provides a recommended order regarding approval, denial and any appropriate conditions of certification. The Governor and Cabinet, sitting as the Power Plant Siting Board, review the recommendation and make the ultimate determination, anticipated in December 2013.

Q. Please provide examples of decisions that may be made associated with the state Site Certification process, and how those decisions may affect the project cost and schedule estimate.

A. During the preparation for and prosecution of the SCA hearing, FPL will be developing and presenting necessary evidence to support its application. Additionally, conditions of certification have been proposed by various agencies. These conditions can impact the cost and schedule for project execution. FPL will engage the sponsoring agencies to modify condition language to reduce potential risks. FPL will make decisions regarding what level of revisions to make, what conditions can be accepted, and assess the impact of these changes to project cost and schedule.

Q. Will the project decisions regarding the Everglades National Park EIS and land exchange be similar to those made in the NRC and SCA processes?

A. Yes. The EIS process results in observations and recommendations. The Secretary of the Interior may choose to place conditions on the land exchange as a result of these observations and recommendations. FPL will assess the nature of these conditions and determine the impact to project cost and schedule. It is expected that the draft EIS will be provided for public

comment in 2013. Comments are collected on the draft EIS and a final EIS will be developed in 2014.

Q. Based on FPL's Turkey Point 6 & 7 project Revision 6 schedule, what engineering work is anticipated in 2013 and 2014?

A. The revised schedule assumes that bid and evaluation activities related to early site preparation design and planning begin in late 2013 and continue through 2014. Decisions on whether to undertake those activities per the current project schedule will be made once a new COLA review schedule is published and a full project schedule review can be conducted.

Q. Does FPL intend to pursue completion of the Turkey Point 6 & 7 project?

A. Yes. The most important near term activity is creating the opportunity by obtaining the licenses and approvals necessary to construct and operate Turkey Point 6 & 7. Once the project is closer to obtaining the approvals, FPL will be able to refine the economic assumptions and incorporate the experience of other new nuclear projects as well as how state and federal energy policies have evolved. The FPSC will continue to have the opportunity to review FPL's plans through the NCRC process.

FPL's step-wise management process will allow the project to proceed to a later stage where risks can be better quantified and mitigated. Considering all project specific and industry factors, this is a responsible and prudent course of action to continue progress in creating the opportunity for new nuclear generation for our customers.

Q. Are there other project decisions that have occurred or are expected in 2013 or 2014?

A. Yes. FPL executed a Forging Reservation Agreement with Westinghouse in 2008 to secure manufacturing capacity for ultra-heavy forgings to support the project's original schedule. The agreement has been extended several times to allow FPL and Westinghouse to monitor industry developments and determine the best disposition of the existing reservation agreement. The current extension expires October 31, 2013.

PROJECT COST AND FEASIBILITY

Q. What is the current non-binding cost estimate range for the project?

A. The overnight capital cost estimate range is $3,659/kW to $5,320/kW. When time-related costs such as inflation and carrying costs are included, and FPL's earliest practicable commercial operation dates of 2022 and 2023 are assumed, the total project cost ranges from $12.7 to $18.5 billion.

Q. Please explain how the overnight cost estimate is constructed and how it is used to help evaluate the feasibility of the project each year.

A. An overnight cost is developed using the most current information available. An overnight cost provides an estimate of the total project costs assuming all costs occur at one point in time ("overnight") and time-related costs (escalation, interest during construction) are not included. Further, recognizing many things could influence the overnight cost, additional

analysis is conducted on each component of the overnight cost to explore how much it could vary, resulting in a cost estimate range. The overnight cost provides an indication of the cost per kilowatt ($/kW) for the project in a given year reference. The 2012 cost estimate range was $3,570/kW to $5,190/kW in 2012 dollars. Updating the cost estimate range to 2013 dollars provides a cost estimate range of $3,659/kW to $5,320/kW in 2013 dollars. The cost estimate range has been adjusted to current year dollars by assuming a 2.5% escalation over the years between 2007 and present. While the actual escalation experienced has been lower, retaining this simple assumption is conservative and consistent with past year evaluations.

A breakeven cost analysis is developed by FPL's Resource Assessment and Planning department, and is further discussed by FPL Witness Sim. This breakeven cost is provided as an overnight cost and is directly compared to the cost estimate range to assess the economic feasibility of the project.

Q. Have there been any revisions to project features or design or any industry-wide developments in the past year that suggest a revision to the overnight capital cost estimate range?

A. No. A review was conducted to capture any potential changes and estimate the potential cost impact. No significant changes or developments have occurred in the past year that indicates any revisions are necessary to the project cost estimate range.

Q. Does FPL's cost estimate range continue to be reasonable?

A. Yes. The FPL cost estimate range continues to be reasonable based on the annual review of the Turkey Point 6 & 7 capital cost estimate, a comparison to other U.S. AP1000 project overnight capital cost estimates, and Concentric Energy Advisors' review of U.S. AP1000 project overnight and total estimated costs.

This is reassuring when one recognizes that the costs being experienced by the lead projects at Vogtle and Summer are informed by committed contracts and include significant equipment and material purchases. Therefore, the total project costs for these projects are more certain.

Q. What future activities are anticipated that will provide information to revise the overnight capital cost estimate range?

A. Negotiations on the Engineering, Procurement and Construction contract will provide more information including price, terms and schedules to support an execution plan for project construction. That information will be integrated with continued observations of the progress of preceding U.S. projects to inform and revise the Turkey Point 6 & 7 non-binding cost estimate, as warranted.

Q. What factors may impact the overall project cost estimate, including time-related costs such as price escalation and carrying costs?

A. The primary factors affecting the total project cost will be the actual labor and materials costs experienced during the Preparation and Construction periods. The certainty around these costs will increase as preceding projects move

through the early stages of construction and as FPL negotiates the principal contracts for engineering, procurement, and construction of the project. The pace of expenditures is also a critical factor that will impact total project costs. Escalation of future costs and carrying costs on expended funds are time related factors.

Q. What is the estimate of the total project costs based on the current project schedule?

A. As described above, there are a number of assumptions made to arrive at this estimate. Under the current 2022/2023 in-service date schedule, and using the 2013 overnight cost estimate range, the total project cost range becomes $12.7 billion to $18.5 billion for the 2,200 MW project.

Q. What are the most current Turkey Point 6 & 7 economic feasibility analysis results?

A. Through the economic downturn and following a substantial shift in the market supply and prices of natural gas fuel, the overall economic feasibility of new nuclear generation demonstrates noteworthy robustness.

As discussed by FPL Witness Sim, the most current feasibility analysis affirms the projected cost effectiveness and benefits associated with the Turkey Point 6 & 7 project using the same basic analytical approach applied in the Need Determination proceeding for the project and the four prior NCRC filings. The analysis calculated a projected "break-even" cost for new nuclear; a cost that results in the same life cycle costs (or cumulative present

value of revenue requirements) as an alternative plan relying on natural gas combined cycle units. The analysis was conducted for seven scenarios comprised of combinations of three fuel and three emission cost forecasts. The projected break-even costs were higher than FPL's non-binding cost estimate range for its Turkey Point 6 & 7 project in five of seven scenarios, and within range for the other two. These results indicate that the Turkey Point 6 & 7 project is quantitatively and qualitatively superior to the combined cycle gas alternative plan in five scenarios. In the other two scenarios, which assume either continued low environmental costs for 50 years, or continued low costs for both natural gas and environmental compliance for 50 years, the combined cycle alternative showed comparable economics. However, a natural gas fueled alternative would not deliver the qualitative benefits of fuel diversity, energy security and zero greenhouse gas emissions that are offered by new nuclear generation.

Q. In February 2010, FPSC Staff provided a list of factors for consideration in the feasibility analysis. Have those factors been considered?

A. Yes. FPL Witness Sim discusses the economic factors and I discuss the non-economic factors.

Q. What non-economic factors affect the projects long term feasibility?

A. Non-economic factors include the feasibility of obtaining all necessary approvals (permits, licenses, etc.), the ability to obtain financing for the project at a reasonable cost, and supportive state and federal energy policy.

Significant federal, state, and local approvals are required to allow for the construction and operation of the project. During recent months, several key state agency reports were completed recommending approval of the project with conditions, continuing to support the long-term feasibility of the project. While the review process has taken longer than originally anticipated, the process is proceeding substantively as expected.

Financing will be determined as the project proceeds through approvals to construction. The lead projects, Vogtle and Summer, have successfully obtained financing. FPL will continue its dialogue with the financial community to help maintain FPL's capability to obtain financing upon reasonable terms.

As discussed earlier in this testimony, state and federal energy policy continues to be generally supportive of new nuclear generation for a host of reasons. Recent legislative activity in Florida sought to revise some aspects of the Nuclear Cost Recovery statute, but preserve the opportunity it provides. The high reliability, low and stable cost and zero greenhouse gas emission profile of nuclear generation technology remains highly compatible with key energy policy objectives.

2013 & 2014 PRE-CONSTRUCTION COSTS

Q. How are the 2013 actual/estimated costs and the 2014 projected costs developed?

A. As described earlier, FPL has a disciplined ground-up process to develop project budgets. This process was used in the initial project budgeting activity and is routinely reviewed and evaluated for adequacy and accuracy as additional information becomes available. The estimates of the 2013 actual/estimated and 2014 projected costs were completed in accordance with FPL's budget and accounting guidelines and policies. Where services are contracted, rates are provided by the contractor and reviewed to verify the charged rates are consistent with FPL's experience in the broader industry. The cost estimates were compared to other costs being incurred by the company for similar activities and found to be reasonable.

Q. Please provide a high level summary of the 2013 actual/estimated and the 2014 projected costs presented in this filing.

A. The costs associated with the Turkey Point 6 & 7 project in 2013 and 2014 are focused on supporting the licensing and permit application reviews underway. Additional costs are incurred in the Engineering & Design category associated with completing the Underground Injection Control (UIC) Exploratory Well, a necessary step towards approval of that process.

Q. What changes may occur that could affect these cost projections?

A. The pace and content of the application reviews may impact the actual costs in 2013 and 2014. The NRC COLA process may include an expanded review of seismic and flooding issues, in response to the Fukushima event in Japan in March of 2011. Additionally, the project anticipates several hearings in the state certification process in 2013. The extent to which these hearings are contested and the breadth of issues allowed within the scope of the hearings by the Administrative Law Judge may impact the costs experienced.

Q. Please summarize the costs included in this filing for Turkey Point 6 & 7 Pre-construction activities.

A. Schedule AE-6 of SDS-7 presents the 2013 actual/estimated costs in the following categories: 1) Licensing $25,526,715; 2) Permitting $1,030,565; 3) Engineering and Design $2,720,435; 4) Long Lead Procurement advance payments $0; 5) Power Block Engineering and Procurement $0; and 6) Transmission Engineering $0. Schedule P-6 of SDS-7 presents the 2014 projected costs in the following categories: 1) Licensing $13,410,866; 2) Permitting $663,796; 3) Engineering and Design $3,061,439; 4) Long Lead Procurement $0; 5) Power Block Engineering and Procurement $0; and 6) Transmission Engineering $0. Table 1 of Exhibit SDS-8 provides a summary of the actual/estimated 2013 and projected 2014 Pre-construction costs. The descriptions in the Exhibit SDS-8 tables are illustrative and do not provide full line item detail.

Q. Please describe the activities included in the Licensing category for the 2013 actual/estimated costs and the 2014 projected costs.

A. For the period ending December 31, 2013, Licensing costs are projected to be $25,526,715 as shown on Line 3 of Schedule AE-6 of SDS-7. For the period ending December 31, 2014, Licensing costs are projected to be $13,410,866 as shown on Line 3 of Schedule P-6 of SDS-7. Table 2 of Exhibit SDS-8 provides a detailed breakdown of the Licensing subcategory costs.

Licensing costs consist primarily of FPL employee and contractor labor and specialty consulting services necessary to support the various license and permit applications required by the Turkey Point 6 & 7 project. The majority of the licensing expenditures are a result of the federal COLA process. This value is a combination of NNP team costs and Bechtel COLA team costs. The license and permit applications contain project specific information, assessments and studies requested by various regulatory authorities to support the reviews leading to decisions on the technical, environmental and social acceptability of the project. Other licensing activities include costs associated with the SCA, USACE permits and delegated programs such as Prevention of Significant Deterioration and UIC. In 2013 and 2014 these costs will increasingly be related to preparation and support for hearings that include legal briefs and expert witness testimony. License and permitting costs are developed in accordance with budget and accounting guidelines and policies. Some activities are common between applications, and therefore offer opportunities to coordinate efforts and manage costs. Further, these cost estimates were compared to FPL's extensive experience with the development

and permitting of new generation projects in Florida and found to be reasonable.

Q. What are the major differences between the 2013 actual/estimated values and those projected in the April 27, 2012 filing for the Licensing category?

A. The actual/estimated values for the Licensing category in 2013 are lower than the amount projected for 2013 in 2012. Primarily, the decrease is based on a reduction of contingency in this category to offset additional costs experienced in the Engineering and Design category.

Q. Please describe the activities in the Permitting category for the 2013 actual/estimated costs and the 2014 projected costs.

A. For the period ending December 31, 2013, Permitting costs are projected to be $1,030,565 as shown on Line 4 of Schedule AE-6 of SDS-7. For the period ending December 31, 2014, Permitting costs are projected to be $663,796 as shown on Line 4 of Schedule P-6 of SDS-7. Table 3 of Exhibit SDS-8 provides a detailed breakdown of the Permitting subcategory costs, including a description of items included within each category. Permitting costs include costs for the Development team, in-house legal support, and resources to conduct necessary outreach educating stakeholders about the project.

Q. What are the major differences between the 2013 actual/estimated values and those projected in the April 27, 2012 filing for the Permitting category?

A. The difference is driven by a reduction in labor costs in this category and a reduction in contingency in this category, which combine to offset additional costs experienced in the Engineering and Design category.

Q. Please describe the activities in the Engineering and Design category for the 2013 actual/estimated costs and the 2014 projected costs.

A. The Engineering and Design activities performed in 2013 and 2014 are primarily related to supporting the permitting effort for the UIC well system. For the period ending December 31, 2013, Engineering and Design costs are projected to be $2,720,435 as shown on Line 5 of Schedule AE-6 of SDS-7. For the period ending December 31, 2014, Engineering and Design costs associated with preliminary engineering activities are projected to be $3,061,439 as shown on Line 5 of Schedule P-6 of SDS-7. Table 4 of Exhibit SDS-8 provides a detailed breakdown of the Engineering and Design subcategory costs, including a description of items included within each category.

Costs for participation in industry groups include the Electric Power Research Institute Advanced Nuclear Technology working group (with annual fees of $275,000) and the DCWG (no external charge to participate in this group). The fee for participation in APOG is expected to be $1.5 million in 2013 and $2.0 million in 2014. These costs are necessary to obtain the benefits of membership described earlier in this testimony.

Q. What are the major differences between the 2013 actual/estimated values and those projected in the April 27, 2012 filing for the Engineering and Design category?

A. The major difference is a carryover of costs that were not incurred in 2012 on the UIC exploratory well. Some completion costs associated with the exploratory well carried into 2013 as the final contract discussions were settled with the vendor. Additionally, an increase in APOG fees of approximately $900,000 is expected as this group assumes some of the work previously accomplished by NuStart.

Q. Please describe the activities in the Long Lead Procurement category for the 2013 actual/estimated costs and the 2014 projected costs.

A. For the period ending December 31, 2013, Long Lead Procurement costs are projected to be $0 as shown on Line 6 of Schedule AE-6 of SDS-7. Future Long Lead Procurement costs are anticipated to be included in the Power Block Engineering and Procurement cost category.

Q. Please describe the activities in the Power Block Engineering and Procurement category for the 2013 actual/estimated costs and the 2014 projected costs.

A. For the period ending December 31, 2013, Power Block Engineering and Procurement costs are projected to be $0 as shown on Line 7 of Schedule AE-6 of SDS-7. For the period ending December 31, 2014, Power Block Engineering and Procurement costs are projected to be $0 as shown on Line 7 of Schedule P-6 of SDS-7.

Q. Please describe the activities in the Transmission Engineering category for the 2013 actual/estimated costs and the 2014 projected costs.

A. For the period ending December 31, 2013, Transmission Engineering expenditures are projected to be $0 as shown on Line 25 of Schedule AE-6 of SDS-7. For the period ending December 31, 2014, Transmission Engineering expenditures are projected to be $0 as shown on Line 25 of Schedule P-6 of SDS-7.

All 2013 and 2014 costs associated with Transmission planning are related to the licensing and permitting activities, and therefore are appropriately included in those categories, described above.

Q. Are FPL's actual/estimated 2013 and projected 2014 Turkey Point 6 & 7 costs reasonable?

A. Yes. FPL's 2013 and 2014 expenditures are reasonable and necessary to obtain the licenses and permits which will allow FPL to carefully and methodically create the opportunity for additional reliable, cost-effective and fuel diverse nuclear generation to benefit FPL customers. FPL uses a robust system of project controls, systems, and practices to obtain a high level of control over the expenditures incurred and projected. Together, these support a finding that FPL's actual/estimated 2013 and projected 2014 expenditures are reasonable.

Q. Does this conclude your direct testimony?

A. Yes.

BY MS. CANO:

Q. Did you also prefile exhibits to your testimony?

A. Yes, I did.

Q. And those consist of Exhibits SDS-1 to SDS-10 as corrected by errata filed on July 3rd and July 26th in this proceeding?

A. That's correct.

MS. CANO: Mr. Chairman, I would note that these have been premarked for identification on Staff's Comprehensive List as Exhibit Numbers 2 through 11.

CHAIRMAN BRISÉ: Thank you.

BY MS. CANO:

Q. Mr. Scroggs, would you please provide an oral summary of your testimony for the Commissioners at this time?

A. Yes, I will.

Good afternoon, Chairman and Commissioners.

The purpose of my testimony is to describe the activities and managerial decisions associated with the Turkey Point Units 6 and 7 project. I will cover the time period from January 2012 to the present and the activities and plans for the project in 2013 and 2014.

The Turkey Point project was developed in response to state policies to promote utility investment

in nuclear energy to benefit our customers. FPL responded by initiating the steps for this project in 2006. The issues that prompted our decision to go forward with this project in 2006 are as important today as they were seven years ago.

As shown in Exhibit SDS-9, which we have behind me here, key items are supply reliability through fuel diversity. This project provides an 18 percent less reliant plan once it's in operation from natural gas. The project also provides reasonableness of costs through low cost and stably priced generation. As you can see, the estimates for this year for the project are avoiding $78 billion worth of fuel costs by having this project on the system.

We also have the opportunity to provide some meaningful greenhouse gas reductions by a baseload technology with zero emissions avoiding 265 million tons of CO2. That would be the equivalent of removing 50 million cars off the roads every year.

Throughout the history of the project, FPL has maintained a very disciplined and step-wise approach that focuses on obtaining all the necessary licenses, certifications, and approvals to allow for construction and operation of the project while keeping a close eye on the first wave of nuclear plants that are under

construction now in the United States.

We are working diligently now to obtain all the necessary permits and licenses. In fact, this year earlier we obtained the final zoning approval in Miami-Dade County, and we have just completed four weeks of site certification hearing in Miami-Dade County. A good portion of my team is down there today entering into our fifth week of hearings on that project. The project is then scheduled to be heard by the Power Plant Siting Board by the end of this year.

The content of my testimony and the accompanying exhibits and detailed filing requirements I sponsor demonstrate that FPL's actual costs in 2012 have been prudently incurred and that FPL's actual/estimated costs for 2013 and projected costs for 2014 are reasonable.

My testimony also supports the conclusions of the annual feasibility analysis. The analysis indicates that the project continues to be cost-effective for customers as discussed in more detail by FPL Witness Sim, and offers the benefits of fuel diversity and emission-free generation that led to the Commission's original need order in 2008.

I would also point out, as stated in my prefiled testimony, that FPL's nuclear cost-recovery

request for Turkey Point Units 6 and 7 seeks only the recovery of costs related to or necessary for obtaining plant licensing and certification.

I look forward to answering your questions about this project, and this completes my summary.

MS. CANO: FPL tenders the witness for cross-examination by SACE.

CHAIRMAN BRISÉ: Thank you.

It is my understanding that the Office of Public Counsel does not have questions for this witness.

MR. McGLOTHLIN: Correct.

CHAIRMAN BRISÉ: And FIPUG does not have questions for this witness either.

So, Mr. Cavros, the floor is yours. Cavros, sorry. The floor is yours.

MR. CAVROS: Thank you, Mr. Chairman.

CROSS EXAMINATION

BY MR. CAVROS:

Q. Good afternoon, Mr. Scroggs. It's good to see you again. I hope at some point in the future we'll be able to meet in a nonconfrontational fashion.

Mr. Scroggs, is it fair to describe your duties with FPL as managing the project activities for Turkey Point 6 and 7 with a focus on obtaining the necessary licenses and authorizations for the project?

A. That would be a fair characterization, yes.

Q. Okay. And the project in-service dates for Unit 6 is 2022 and 2023 for Unit 7, is that correct?

A. That's correct.

Q. And that's the in-service dates that you utilized for the feasibility analysis for the project this year, is that correct?

A. Could you restate your question?

Q. Sure. The 2022 and 2023 in-service dates were utilized for the feasibility analysis this year?

A. That's correct.

Q. Now, the original in-service dates were 2018 and 2020, is that correct?

A. That's correct.

Q. And those dates were pushed back -- they were pushed out in 2010 to 2022 and 2023, is that correct?

A. Yes.

Q. Okay. And according to your 2010 testimony, to the best that you can recollect it, the original in-service dates of 2018 and 2020 were based on the premise of having some predictability achieved by 2010, as far as a clear path to construction, is that generally correct?

A. Yes.

Q. And it is fair to say then at that time that

that certain level of predictability was not achieved in 2010?

A. That's correct.

Q. And is it fair to say that three years later in 2013, as we sit here today, a clear path to construction is still less than predictable?

A. Yes, there are uncertainties, but there have also been a significant number of events that give us a higher comfort that we are headed in the right direction. We have made progress in all the licensing arenas.

Q. Okay. Let's talk a little bit about the uncertainties, and let's take those sort of in temporal order. I'm going to refer to these events as contingencies for you to meet the 2022/2023 projected in-service dates as we move forward. Can you explain what a COL, what a combined operating license review schedule is?

A. A combined operating license review schedule is essentially the schedule that the NRC publishes to estimate what they believe is the upcoming schedule for a project to proceed through application review, report generation, report review, and then the hearings before the ASLB and the ultimate NRC decision.

Q. Okay. Thank you. And you don't have a COL

review schedule from the NRC yet, correct?

A. We have had a review schedule. Currently the review schedule is under review by the NRC.

Q. Okay. And this is related to you receiving some requests for additional information from the NRC in 2012 and 2013 related to seismic issues, flooding events, and the characterization of alternative sites, is that correct?

A. Right. We received two -- RAIs in two areas. One relates to a subsection of the environmental report on alternative sites. The other relates to a subsection in the safety report on seismic and geologic issues.

Q. Uh-huh. And that COL review, or rather the COL has been placed, quote, unquote, under review, is that the appropriate way to describe it?

A. Correct.

Q. And you are still working with NRC staff to fully answer their outstanding questions, correct?

A. Actually, to this date we have responded to all the RAIs that are outstanding with the exception of a few data analyses that they have asked us to produce. We expect to have that provided to them later this year.

Q. Okay. So that process, then, of fully answering the outstanding questions is not complete as of today?

A. Not fully complete, no.

Q. And it's correct that you are going to review your overall project schedule once the revised combined operating license review schedule is published, is that correct?

A. That's correct.

Q. And as I believe you indicated before, that review schedule has not been published?

A. That's correct.

Q. Okay.

A. An update to the review schedule has not been published.

Q. Correct, yes. Isn't it true that that schedule update might not be published until next year?

A. I can't predict when the NRC is going to produce the updated review schedule. The response that we expect is once we provide them all the information that they have asked for, they would then turn to updating that schedule.

Q. Okay. Is it possible that that schedule might not be updated until next year?

A. It's possible.

Q. And I'd like to ask you to refer to your testimony for May 1st, if you could, on Page 23. I'll give you a second to get there.

A. 23? I'm there.

Q. That's correct. If you could go to Line 20, and if you could, please, starting from -- in 2013, if you could read that out loud for the record all the way through to the following page on Line 2?

A. "The focus remains on obtaining the licenses, permits, and approvals necessary to construct and operate the Turkey Point 6 and 7 project. In 2013, the federal focus will be on completing all outstanding items to allow the NRC to revise the Turkey Point 6 and 7 COLA review schedule and publish the SCR and draft EIS. If successful, the project would be on track to complete the NRC and U.S. Army Corp of Engineers processes in 2014."

Q. Thank you. And on Line 1 of Page 24 you state, if successful, is that correct?

A. That's correct.

Q. Okay. In other words, if you meet all the thresholds you had just described previously, then you could get your license by late 2014, is that correct?

A. Correct.

Q. Can you explain what a safety evaluation report is, or an SER?

A. Yes. The safety evaluation report is simply one-half of the combined operating license review

process with an attention to those items under the NRC purview related to public health and safety, essentially the safety design of the reactor steam system.

Q. Uh-huh, okay. And is it your testimony that you expect to get the draft environmental statement this year?

A. That's my testimony.

Q. Let me ask you this, what are the chances, and I'll let you describe that however you like, to be successful in, number one, getting the issuance of a revised COLA, yes, an updated COLA review schedule, the issuance of an SCR and the issuance of a draft environmental impact statement in the next four and a half months?

A. I wouldn't want to speculate on the chances. I can tell you that we have provided 100 percent of the RAI responses related to the environmental side, so the Section 9.3 that focuses on alternate sites, the NRC staff will have that information and be able to, if they choose to, move forward independently on a schedule for the environmental review. We'll have the environmental or the Section 2.5, seismic and geologic information, available later this fall, and, again, the NRC could proceed independently on the safety track.

Q. Okay. You just testified that you expect to

get your DIS this year. Isn't that speculation?

A. No.

Q. Okay. Because you just testified that it would be speculation on your part to quantify the chances of being successful of getting a COLA review schedule, the issuance of an SCR, and the issuance of a draft EIS in the next four and a half months?

A. Well, if I can explain?

Q. Sure.

A. If you put all the events together, there are things that are under FPL's control and things that are not under FPL's control. Things that are not under FPL's control are federal budget issues, sequestration, and other items that affect the NRC's resource and their resource allocation.

I have no insight into how they make those choices. I can say that FPL is doing everything under its control to put us in a posture of being able to meet these milestones that you have asked about.

Q. Okay. But those uncertainties as they apply to the NRC could impact the schedule related to the draft EIS, is that correct?

A. It's possible.

Q. And I'm going to ask you for a moment, if you could, just turn to Page 24 of your testimony, line --

A. Is that May?

Q. I'm sorry, yes, that's correct. We're on the same testimony. Line 14, Page 24, and it starts with the final EIS. And I would like, if you could, to read from there to Line 18. If you could read that out loud so we could place that in the record.

A. "The final EIS could be completed within 12 months following a period of public comment on the draft EIS. The mandatory NRC hearing that would culminate in granting the combined license could be held within four months of the completion of the final EIS. Completion of the NRC review process could be accomplished in late 2014."

Q. Okay. So let me see if I understand this. So your projected -- let me back up for a second. When would you have to engage in substantive contract negotiations to meet your 2023/2024 time line?

A. I believe that's 2022 and 2023.

Q. I apologize, yes.

A. And I think as we have discussed in previous testimony, our target would be to have a contract in place in early 2015.

Q. Okay. So as I understand this, then, your projected in-service dates are dependent on, one, the issuance of a revised COLA review schedule, right?

A. Correct.

Q. Is one component. The issuance of an SCR, correct?

A. Correct.

Q. Okay. The issuance of a draft EIS in the next four and a half months or so, correct?

A. Yes.

Q. Okay. Additionally, it's also contingent on a final EIS being completed within 12 months after the hearing and the granting of the COL within four months after the completion of a final EIS, is that right?

A. The final EIS would have to be complete in a time line to support hearings by the end of 2014, so it depends on a number of serial issues.

Q. Okay. Wouldn't you agree that's a pretty ambitious schedule of completing outstanding items related to the COL?

A. In fact, it's the earliest practicable schedule. That's how we refer to the posture we maintain on the project.

Q. Uh-huh. In fact, there's one more contingency to the granting of a COL to FPL in the time frame you put forth, and that is also the resolution of the Waste Confidence court decision, is that correct?

A. That's correct.

Q. Okay. And I assume you're familiar with that decision and that it has led to the NRC having to complete an environmental impact statement on the long-term storage of highly radioactive nuclear waste, is that correct?

A. That's correct.

Q. Okay. And no COLs are being issued until that process is complete, right?

A. That's my understanding.

Q. Okay. And a final EIS and a new Waste Confidence Rule is expected to be promulgated around September of 2014, is that your understanding?

A. That's their schedule right now, yes, sir.

Q. Okay. And I understand you're not an attorney, but are you familiar with the fact that parties that have legal standing in cases could seek what is called judicial review outside of the agency to seek or resolve questions regarding the legality of any final EIS that might be issued by the --

A. I'm not intimately familiar with those details, but I would accept that there is an appeal process possible.

Q. Okay. Fair enough. Do you know, and I understand you're not an attorney, but do you know if it's possible that the final EIS that is issued could

be stayed during the appeals process?

A. I'm not familiar with that.

Q. Okay. Are you familiar with how long it may take to resolve a legal issue in federal court? Could it take a year, longer than a year, do you think?

A. No position. It's a guess.

Q. Okay. But suffice it to say if you don't meet that early 2015 deadline, then those in-service dates -- the 2015 deadline for entering into substantive contracts, those 2022/2023 in-service dates won't be met?

A. That's correct.

Q. Okay. Isn't it true that also sequestration budget cuts are delaying the processing of the COL applications?

A. That has not been the feedback I have had from NRC on our application, so --

MR. CAVROS: Okay. What I would like to do at this time is mark an exhibit. It's a --

CHAIRMAN BRISÉ: (Inaudible; microphone off.)

(Exhibits and 113 marked for identification.)

MR. CAVROS: Thank you.

BY MR. CAVROS:

Q. And, this exhibit is described as Platts article on COL delays due to sequester. And if you have

that in front of you, Mr. Scroggs, I just want to point you to the first paragraph, and I will read that aloud. The U.S. Nuclear Regulatory Commission said it will not make a decision on Duke Energy's application to build and operate two 1,100 megawatt nuclear units in South Carolina until 2016, three years later than it had planned, because of federal budget cuts. And then it goes on to cite some other decisions by the company.

Seeing that, does that change your opinion regarding the impact of the federal budget cuts due to sequestration on the pace of the processing of COL applications?

A. Well, I believe I answered your question that I have heard nothing from the NRC about sequestration affecting our project and our schedule. I also note the finish of that sentence identifies that Duke made a decision late last year to change the physical location of the reactors. That created a desire on the part of the NRC staff to see additional geologic analysis of the area specifically under where the reactors were being moved. So I understand that there are federal budget issues cited here, but it would be difficult for me to make a judgment on how much those issues played into their decision on schedule and how much the factual issues of the decision to move the reactors played.

Q. Okay. So then you haven't accounted for a possible delay in your in-service date testimony due to any federal budget cuts, is that correct?

A. That's correct. We are basing it on the most recent NRC schedule that we have had.

Q. Okay. And if I could just ask you to turn to Page 27.

A. I'm there.

Q. And if you could just -- in fact, I will read it out loud. I'm going to read Lines 5 to 7 out loud. "The bid and evaluation activities related to early cite preparation design --

A. Excuse me. I don't know that we are in the same place.

Q. Oh, I apologize. Page 27, Line 4.

A. Of what testimony, March?

Q. This is your May, May 1st testimony.

A. Okay. I'm not reading what you're reading, so, I'm sorry.

Q. Okay. Are you on Page 27 of your May 1st?

A. I am.

Q. Do you see on Line 5 an answer, "The revised schedule assumes"?

A. Yes, I have that.

Q. Okay.

A. I'm sorry, maybe I misheard you.

Q. Okay. My apologies. It says the revised schedule assumes that bid and evaluation activities related to early cite preparation, design, and planning begin in late 2013 and continue into 2014. Is that preconstruction work unrelated to the pursuance of a combined operating license?

A. That would have been the plan, yes.

Q. Okay. Are you familiar with SB 1472, the statute that was passed this year?

A. Yes, I am.

Q. Okay. Do you know if that would be permissible under the current statute?

A. That would be a legal decision. I think the relevant parties, that to the extent that we would decide to go forward with those activities, we would certainly come before the Commission with whatever is determined the appropriate request before we did that.

Q. Okay. So, in fact, it is true then the company hasn't accounted for the new statute and how that might affect the projected in-service dates, is that correct?

A. No. To the extent that we are working on the Revision 6 schedule that was produced in 2010, based on the best information that we had available at that point

in time, without an updated COLA review schedule and without an understanding of the implementation of SB 1472, it would be very difficult for me to put forth a new schedule.

Q. Okay. So the application of SB 1472 will be part of an evaluation you do when you get your new COL?

A. We would certainly want to make sure we understand the Commission's desires on that regard and that we would order our work and our requests accordingly.

Q. Okay. And sitting here today, you can't guarantee that the in-service dates will be 2022 or 2023 for the units, is that correct?

A. Correct.

Q. And sitting here today, you can't guarantee that the units, in fact, will be constructed at all, is that correct?

A. That's correct.

Q. Okay. Could I direct you to Page 17, again, on the May 1st testimony?

A. I'm there.

Q. Great. I'm looking at Line 7, and could you please read that first sentence out loud?

A. The collective status of international and domestic projects continues to demonstrate substantial

and consistent progress is being made on the next generation of nuclear projects.

Q. Thank you. And you are proposing two Westinghouse 1000 AP reactors for Turkey Point, is that correct?

A. That's correct.

Q. Okay. And you know that Duke Energy has canceled the Levy project last week, right?

A. That's not my understanding. My understanding is that they have withdrawn from the nuclear cost-recovery program, but they are maintaining pursuit of the combined license.

Q. Okay. Thank you for that clarification. And those were going to be AP1000 reactors, is that correct?

A. That's correct.

Q. Okay. And in terms of domestic progress, do you still believe that consistent progress is being made on the next generation of nuclear regulators after the motion that was offered here today to defer the NCRC hearing for the Levy project and an associated settlement agreement that cancels the project?

A. Yes.

Q. Are you familiar with the news that the NRC is delaying a decision on Duke Energy's combined operating license application to build and operate two Lee nuclear

units in South Carolina, generally?

A. Yes.

Q. Okay. And do you know that those are AP1000 units?

A. Yes.

Q. Okay. And do you believe that consistent progress is being made after the announced delay in the Duke Lee nuclear unit combined operating license?

A. Yes.

Q. Okay. And are you familiar with the news that the Vogtle Plant in Georgia has been delayed 15 months and it has experienced cost overruns?

A. Yes.

Q. Okay. And those are AP1000 units, also?

A. That's correct.

Q. And do you believe that consistent progress is still being made considering the Vogtle delays and the cost overruns?

A. Yes. The purpose for this is looking at those two plants, Vogtle and Summer, as the first wave of new construction plants. They are the first to receive their combined operating license, they have both moved into full scale construction. And as I have said multiple times throughout my testimony, and particularly in the paragraph that we are looking at is that that is

a very important indicator for us, and it is very important for us to understand the lessons that are learned from those projects. And as a prime driver for us taking a very cautious and stepwise approach so that we can observe those developments and how they proceed and understand where we can make better decisions or better contract language or better logistical plans to mitigate any of these delays that are affecting the first wave projects.

Q. Okay. And do you likewise agree that the Commission staff, as well, should assess those projects, or your project with the same kind of understanding and cautiousness that you are approaching it with?

A. I expect that they will. And in my testimony we provide our perspective on that.

Q. Great. Thanks.

You garnered a determination of need in 2008 for this project, is that correct?

A. That's correct.

Q. Okay. It's now 2013. It's five years later, and the best nonbinding cost estimate that you can offer the Commission is a range from 12.7 billion to $18.5 billion for the proposed project, is that correct?

A. Yes.

Q. Okay. That indicates a great deal of

uncertainty on the predictability of the costs moving forward on the construction of the project, isn't that correct?

A. You could look at it that way. I look at it as a range of -- you know, as we move through the process the goal is to reduce uncertainities. That cost estimate range was developed very carefully in the 2007 time frame, and it has really stood the test of time as we have moved forward.

I think if you look at the projects that are well into construction, essentially complete with design, complete with engineering, and in the case of Vogtle is 33 percent through construction, our high-end cost estimate exceeds the costs that they are reporting right now by almost $1,000 per kW in overnight costs. So I think the confidence that the Commission can take from that is, one, we did a very careful job when we started the project. We checked that cost against a price estimate from Westinghouse in 2010, and we provided testimony on that in 2010 extensively, and it has held up to today. And when we do our feasibility analysis, we are comparing the break-even cost against that high end of the range. So to the extent that we are providing a lot of uncertainty in a wide range, we are also providing a lot of confidence in comparison to

projects that are being executed right now.

Q. Okay. So it's your testimony, then, that you believe this range is reasonable based on the cost of other AP1000 overnight costs and also project total costs, is that correct?

A. I believe the range is reasonable based on its merits, the components that we use, the information we use to develop it. In checking that cost estimate range against ongoing projects that are much further along in the pipeline, it gives me great confidence that we have done a good job of bracketing the range.

MR. CAVROS: Okay. I'd like to consider that range a little closer, and at this time I'd like to mark an exhibit.

CHAIRMAN BRISÉ: Sure. We are at 114.

MR. CAVROS: I'm sorry, Chairman, is that 113?

CHAIRMAN BRISÉ: 14.

MR. CAVROS: Right. Thank you.

CHAIRMAN BRISÉ: A short title would be --

MR. CAVROS: Concentric Energy Advisors' Estimate of AP1000 Costs.

CHAIRMAN BRISÉ: All right. Thank you.

(Exhibit Number 114 marked for identification.)

BY MR. CAVROS:

Q. So, Mr. Scroggs, this is a response by FPL to an interrogatory request by staff, and I'd like to -- if you go to the second page, there is a table in the middle of the page, if I could direct your attention there. Concentric uses an overnight cost of $5,320 per installed kW for the Turkey Point project, is that correct?

A. Yes.

Q. And in the column adjacent to that, Concentric uses an $18-1/2 billion cost as the projected cost for the Turkey Point project, is that correct?

A. That's correct.

Q. Okay. And in that same column, that is the one with the total cost, there are some units with a higher total cost than Turkey Point, than the Turkey Point reactors, is that correct?

A. That's correct.

Q. And there are some units in that same column with lower costs, total costs, is that correct?

A. That's correct.

Q. Okay. And if you shift directly to the column to the left, which is price per installed kilowatt, you can see that Turkey Point is not the highest-priced project, is that correct?

A. That's correct.

Q. But it is also not the lowest-point project, is that correct?

A. Correct.

Q. Okay. There are no units presented here with a 3,659 per installed kilowatt projected overnight cost, is that correct?

A. That's correct.

Q. Okay. And that's the low end of the range that you are currently using with this Commission for the overnight cost of the project, is that correct?

A. That's correct.

Q. Okay. In fact, isn't it fair to say that there aren't any projects that really come close to a 3,659 per installed kilowatt projected overnight cost, overnight cost per project according to this table?

A. I'm not sure what you would mean by the term close.

Q. Uh-huh. Within certainly a couple hundred dollars?

A. If that's your definition, then that's a fact.

Q. Okay. And isn't it true that going across the first row, that the first two units there, the Summer unit and also the Vogtle unit tend to be the lowest-priced units with the stated overnight costs

generally in a little over 4,000 per installed kilowatt?

A. Yes, and I can offer an explanation as to why.

Q. Please.

A. Both the Georgia Power and Summer projects are in construction with projected COD dates in this coming decade. The time effect of escalation on overall cost has a different affect on a project that is five years away from completion than one that's ten years away from completion. So there is a bit of apples and oranges. There's a subtle difference between COD dates that affect that overall cost.

Also one of the things that is not captured on this table is the certainty of the price estimate. As I said, with projects that are in construction, those projects have gone through an EPC contract negotiation to fixed prices, they have gone through design, they have gone through procurement, and they are well into construction. That gives you a high confidence that that number is going to be executable, lower uncertainty, higher level of certainty. So the two lowest-cost projects on this table are the ones that are farthest along in the engineering procurement and construction process.

Q. Those two projects also, those overnight costs and also the projected total price of the units excludes

transmission, is that correct?

A. If I understood your question, the answer would be no. The Summer project excludes transmission. The Vogtle project indicates that it includes transmission.

Q. I apologize. You're right. Are you familiar with dollar per kilowatt of installed capacity estimates for new reactors that have been offered by rating agencies like Moody's or Fitch?

A. No, I have not had an opportunity to look at that recently.

Q. Okay. Sitting here today, you can't guarantee by the time that FPL gets to the construction phase, if ever, that the overnight costs won't be $7,000 per kilowatt, installed kilowatt, is that correct?

A. Well, no, I can't guarantee. But we have high confidence that our cost estimate range captures the reasonable ranges of costs. And Witness Sim will discuss the methodology for the annual feasibility analysis which this Commission is well aware of the method that uses the best estimate that can be provided for a comparably sized combined cycle unit and puts them head-to-head against the nuclear unit. The results of those analyses essentially are on the chart behind me, and that is where I gain the confidence that we have

applied the same feasibility analysis since 2008, and we have consistently showed, even with swings in natural gas prices and demand, that the project has big benefits for our customers and has continued to be worthy of pursuit.

Q. Okay. And I'll get that -- I will get more into that with Witness Sim. But on Page 35 of your testimony -- again, that's the May 1st testimony -- starting at Line 10, you itemize costs for which you are seeking recovery, right?

A. Correct.

Q. Okay. And those costs are related to pursuing a combined operating license, right?

A. Yes.

Q. Okay. And those costs are ultimately recovered from customers?

A. Yes, under the cost-recovery statute.

Q. Okay. Well, in light of the proposed cancellation of the Levy project, and the fact that you have testified that you can't guarantee when the proposed reactors will be built, if at all, and the fact that you can't guarantee a price, has the company considered having FPL shareholders cover the cost of obtaining a combined operating license?

A. The costs -- the company follows the rules and

the procedures of the Commission. Those rules are very clear in identifying how to get to the very complex and difficult task of bringing new nuclear capacity on which is an objective. They want to do it in a very step-wise transparent fashion. That is the policy that we have employed, that's the approach that we have employed, and that's how we see the best way to get to new nuclear capacity in the state.

Q. Okay. So it's fair to say then that there is no policy at FPL whereby shareholders would engage in sharing some of the risk in the licensing process?

A. Well, I don't necessarily accept your premise that the shareholders don't share in some of the risk. The nuclear cost-recovery process provides us a vehicle to move forward on some of the long-term long-lead items, like licensing and permitting, to get to a point where we have a very good idea of what it's going to cost to execute.

When we move to that execution phase, the money is not going to come from customers. The money is going to come from the financial institutions that provide money for us to invest that capital. And the confidence that those financial institutions have in an FPL project is largely based on the positive relationship that we have with the regulator. So I

think the nuclear cost-recovery rule is important to give the financial institutions confidence, but at the end of the day it is our stockholders, shareholders that are going to be responsible for the investments that we make and the risks that we take in recovering that through the regulatory process.

Q. Uh-huh. Notwithstanding that, if FPL would walk away from the project at some future point, like Duke Energy did, they would be entitled to recover all preconstruction and construction costs, is that correct?

A. That's the process, yes, sir.

Q. Isn't it true that FPL is going to cancel its forging reservation agreement?

A. I'm not aware of that.

Q. Okay. You have a forging reservation agreement, is that correct?

A. That's correct.

Q. And that agreement is going to expire in October, is that correct?

A. That's correct.

Q. Okay. And what does the company intend to do at that time?

A. As we have always done, we are on the 11th amendment of that reservation forging agreement because we want to get the best result for the customers. If we

were to just simply use the language in the current amendment and execute it, we would potentially forfeit our forging agreement fee. And we are not keen to do that, so we continue to engage with Westinghouse to find the best way. All avenues are being explored to get the best result for our customers.

Q. Okay. And how would you answer this question, if FPL was committed to actually building the project, why wouldn't it just enter into a forging agreement this year?

A. Well, FPL intends to complete this project. I have had enough conversations with you, and I understand that it seems that there is a desire to see FPL put down large sums of money in order to show some level of commitment. We don't think that's in the best interest of the customers to do that until we have a very well-defined price estimate, an execution schedule, and a handful of licenses and permits that define the project. So it's not in the customer's best interest, it's not in the state's best interest for us to enter into any contract or any expenditures prematurely. That's how we have managed the program from day one.

Q. Isn't it true, though, that as you sit here today, FPL has not made the decision to proceed to the construction phase of the project?

A. That's correct.

Q. Okay. At Page 33 of your testimony, you state that FPL will continue its dialogue with the financial community to maintain FPL's ability to obtain financing at reasonable terms, is that right?

A. That's correct.

Q. Okay. Is it fair to say that if you can't obtain financing that is consistent with your cost of raising debt on other regulated investments that the company will consider abandoning the project?

A. I'm sorry, could you state the question again to make sure I heard it right?

Q. Sure. Is it fair to say that if you can't obtain financing that's consistent with your cost of capital that the company would consider abandoning the project?

A. I think it's one of several very important factors. We definitely would want to obtain the best rates and best terms and that's a part of the overall project decision.

Q. Okay. So how high above your cost of raising debt at the time of financing would the company go before considering abandoning the project?

A. I'm not in a position to answer for the company on that.

Q. Okay. So you couldn't say if it was one percent, two percent, one and a half percent?

A. Not in my testimony.

Q. Okay. You point to the Vogtle and Summer plants as encouraging signs that reasonable financing can be obtained, is that right, generally?

A. In general, yes.

Q. Okay. And you know that the Vogtle plant is in the process of obtaining a federal loan guarantee?

A. I understand that Vogtle is in the process of negotiating, that they have been negotiating for some years, and I'm anxious to see what comes out of that.

Q. Sure. And that would necessarily have the effect of spreading out the risk. Generally, when there is lower risk there is a lower interest rate, is that correct?

A. You know, our goal would be to get the best deal for our customers. If the federal government offers a loan guarantee program that we qualify for and we can be certain that it provides value for FPL's customers, we would definitely participate.

Q. Uh-huh. And you know that the Summer project has multiple owners, right, essentially splitting the --

A. I understand that.

Q. Okay. And that would necessarily also have

the effect of spreading out the risk, and generally when there is lower risk there is a lower interest rate, is that correct?

A. That's a general principle.

Q. Generally. Okay. And you don't have a loan guarantee at this time or --

A. That's correct.

Q. Okay. And you don't have a co-owner yet, is that correct?

A. That's correct.

MR. CAVROS: Okay. Those are all the questions I have for you. Thank you, Mr. Scroggs.

CHAIRMAN BRISÉ: I think staff has some questions.

MR. YOUNG: Yes, sir. If I can get a second to check my notes.

CHAIRMAN BRISÉ: Sure.

CROSS EXAMINATION

BY MR. YOUNG:

Q. Good afternoon, Mr. Scroggs.

A. Good afternoon, sir.

Q. Does FPL have an agreement with a third party ownership with respect to the Turkey Point 6 and 7?

A. We do not have an ownership agreement. We do have an option agreement with Orlando Utilities

Commission.

Q. Okay. In your testimony looking at economic feasibility, in your May 1st, 2013, prefiled testimony, Page 4, you list diversification of FPL fuel source as a benefit of Turkey Point 6 and 7, correct?

A. That is correct.

Q. Why is that important?

A. Well, at present the state, or FPL's system is very dependent on natural gas. That is a result of decisions made over the last 10, 15, 20 years for our baseload generation. It has been beneficial in terms of greenhouse gases and costs in many respects, but it does put us subject to a large amount of dependence on natural gas and the deliverability of that through two pipelines into the state.

Q. Okay. On Lines 14 through 16 on the same page, you claim that Turkey Point 6 and 7 units will provide FPL customers with a fuel cost savings of $78 billion, correct?

A. That is correct.

Q. What's the basis for this $78 billion claim?

A. This is the incremental value of a plan that includes Turkey Point 6 and 7 as compared to a plan that includes a similarly sized combined cycle unit and the savings in natural gas costs that we would expect over a

40-year term for our medium fuel forecast. So with the higher forecast it would be higher and in the lower forecast it would be lower.

Q. Looking at Page 9 of your May 1st testimony, you claim that the nuclear recovery clause provides savings for FPL customers, and in a response to your -- in a response to an interrogatory, staff interrogatory you cosponsored Staff's Fifth Set of Interrogatories, Interrogatory Number 5028, which is Hearing Exhibit Number 74, and you claim that customers will realize between 7.4 and $10.6 billion. Are you familiar with that?

A. Yes, I am.

Q. Can you explain how do you -- how the savings occur?

A. Well, primarily the savings occur from the nuclear cost-recovery's approach of paying interest during the construction period. So as the capital balance grows as the plant is being constructed, we are paying off interest each year instead of letting that interest accumulate and compound providing a much larger amount that would need to be moved into base rates upon commercial operation.

Q. Now, looking at the regulatory feasibility, again, in your May 1st, 2013, prefiled testimony

beginning on Page 15, you discuss the potential impacts of the Turkey Point Unit 6 and 7 project such as the March 2012 earthquake, the tsunami in Japan, and the Waste Confidence Rule, to name a few. Considering the potential impact on these issues you discussed, how can you conclude that on Lines 16 and 17 on the same page, Page 15, that the NRC actions and plans maintain, and I quote, a stable regulatory environment for U.S. -- in the U.S., unquote?

A. I would basically say in our experience with the Generation 2 plants, following Three Mile Island and other processes there was considerable instability in the regulatory environment. What has occurred since then is the NRC redrafting the entire licensing process so that it is a combined license. You have a license to operate and a license to construct in one, and a very well-informed process by which changes that occur during that are folded in and looked at.

What we understand is with the new licenses that are under review, the NRC has indicated that they feel that the structure of the Part 52 process is sufficient to bring in any changes that might be identified from the March 2011 tsunami and earthquake in Japan into any future design changes. So the stability isn't no changes at all; the stability is there is a

process by which those changes can be addressed without derailing unnecessarily other projects that are in progress.

MR. YOUNG: All right. Thank you. No further questions.

CHAIRMAN BRISÉ: Okay. Thank you.

Commissioners?

Commissioner Balbis.

COMMISSIONER BALBIS: Thank you, Mr. Chairman. I have a few questions.

Welcome, Mr. Scroggs. Good to see you, again.

THE WITNESS: Good afternoon, sir.

COMMISSIONER BALBIS: I want to talk a little bit about the NRC and the seismic issues and other issues brought forth in their quest for additional information. And you had a lot of clarification to that that resolved some of my questions, but my question for you is the additional information that was requested, was that because of new requirements from NRC or just information that was missing in your application that should have been included?

THE WITNESS: Thank you. That's a great question. I think that it is something in the middle. There are no new requirements that have been generated out of the March -- following the March 2011 incident in

Japan. What has been done is that staff now understands and has a higher level of scrutiny on those topics and has the ability to interpret what additional information they'd like to see. I think as I reminded folks last year, the NRC is totally reliant on information provided by the applicant to make their decision. So as these events have occurred, there has been a whole lot of study of the specific events, there has been a lot of retroactive review of existing plants in the United States, there has actually been changes to the seismic model that's used to model these events in the United States.

Because all of those changes and additional scrutiny, additional questions popped up. So what we provided in 2009 was adequate in 2009. There were deficiencies in certain areas, but it was essentially adequate. What we have been responding to since then has been an added heightened scrutiny that we are happy to provide answers to. A specific example is we are gathering new samples from beneath the site to provide better compression testing to estimate the strength of the rock down there. We have already provided what would have been acceptable in 2009, but they are wanting a little bit more, so we are providing that information.

COMMISSIONER BALBIS: Okay. And I guess what

I'm confused about is -- and it may have been a deja vu moment, but I believe last year we had an extensive discussion about this, and I believe there was an exhibit entered in. It was an actual letter from NRC. So is this additional information that's required this year, or is it still FPL responding to that letter and providing that additional information which takes an extended period of time?

THE WITNESS: There's a little bit of both. The information that was identified as deficient was essentially a judgment on the part of the expert at the NRC that it didn't completely answer all the questions they wanted answered. So we worked with them to flesh those out in more detail, send it back to our experts, have them review it. We had other experts review the expert's work to make sure that they were completely and comprehensively answering the question and provided those answers.

In addition to that, through the course of looking at that information the NRC developed additional requests that we are responding to.

COMMISSIONER BALBIS: Okay. I will change gears a little bit. In your testimony you discussed a Miami-Dade zoning process, and FPL's decision to go ahead and, I guess, reply for the zoning approval.

Could you just update as to where FPL is in that process?

THE WITNESS: Yes. We applied for zoning on several specific project features, the reclaimed water treatment facility and the radio collector wells that weren't specified in the 2007 zoning approval that we received from Miami-Dade County. In July of this last year we reapplied for specifically zoning approval for those two new features. We received that zoning approval in January of this year, and a month later we received an affirmative land use determination from the county that said the property and the project is consistent with land use in Miami-Dade County. So we are complete with the Miami-Dade County approval process.

COMMISSIONER BALBIS: Okay. And just additional clarification on the forging agreement. Is there an evergreen provision of that agreement that will allow continuous extensions, or do you --

THE WITNESS: There is not an evergreen on purpose. I specifically asked for a six-month extension to force the parties back to the table every six months and say what is our best information now, what is our best opportunities now, can we do something now, or should we extend again. And so it is by choice and by

design that we do not have an evergreen, but each period we renegotiate an extension.

COMMISSIONER BALBIS: Do you anticipate that at any time that the extension will require costs or payment?

THE WITNESS: That may be one result, but we would certainly seek to minimize any cost or payment. Actually, I'm sorry, what's on the table is we have made a -- we have provided a fee. We have submitted to Westinghouse a fee, and the question is how much of that fee do we get refunded. So there wouldn't be additional costs; it's a matter of what level of refund can we negotiate.

COMMISSIONER BALBIS: But that fee, the recovering of that fee is not included in this year's proceeding?

THE WITNESS: No, because it was -- cost was laid out in 2008. We have already recovered for that in previous years. So the question now is what level of refund do we get if we unwind the reservation agreement.

COMMISSIONER BALBIS: Okay. And then the last question. It's my understanding just through press releases, articles, et cetera, that Florida Power and Light was opposed to Senate Bill 1472 in some fashion, is that correct?

THE WITNESS: Yes, sir. I provided testimony to the Senate and the House committees on that topic.

COMMISSIONER BALBIS: And were there lobbyists that were retained and other actions taken by FPL in order to oppose that bill?

THE WITNESS: I worked with our governmental affairs folks up here, so -- they're FPL employees. I don't know if they engaged other lobbyists.

COMMISSIONER BALBIS: Okay. And the reason why I'm asking is that in both your March 1st and May 1st exhibits, SDS-6 and SDS-8, in SDS-6 there is a $470,000 cost that's just labeled regulatory affairs, and in STS-8 there's a $636,000 cost. And I just want to make sure, or find out what makes up those costs?

THE WITNESS: Yes. Thanks for asking. There are no costs associated with lobbying or anything close to lobbying in these cost-recovery requests. That is not something that we would include in the cost-recovery requests. It's nothing that I know about as the project manager. The numbers that you see under regulatory affairs are essentially for the support of the nuclear cost-recovery proceeding. So the regulatory affairs specialists that we have here and that I work with throughout the year to make all the filings, respond to the discovery, put the MFRs into the right situation,

that's the cost related to that.

COMMISSIONER BALBIS: Okay. And so you anticipate with us approving the stipulation that the $636,000 cost should go down upon true-up?

THE WITNESS: Those are the costs that I estimate for 2012. They are actual true-up costs. For 2013, if the cost of regulatory support goes down, you will not be billed for that.

COMMISSIONER BALBIS: Okay. Thank you. That's all I had.

CHAIRMAN BRISÉ: Thank you, Commissioner Balbis.

Commissioner Brown.

COMMISSIONER BROWN: Hi. Good afternoon.

THE WITNESS: Good afternoon.

COMMISSIONER BROWN: I just have one question for you. In your opening intro statement you said that FPL takes a very disciplined approach to managing costs. And I know in your Direct Prefiled Testimony you stated that FPL is involved and participates in various industry groups focused with identifying and resolving issues related to licensing, but it appears that licensing costs continue to increase.

I know that you estimated in 2014 them to drop, so would you say that the current trend, I guess,

across-the-board with the other electric utilities that are deploying new nuclear projects, would you say that the trend is that these licensing costs are increasing?

THE WITNESS: I'm not sure. I really don't have the information from that. The industry groups that you pointed to are really focused on plant construction and plant operation, personnel type decisions, training, so they are not as focused. We don't share a lot of information on our individual licensing experiences. In our case, our original estimate and when we started this process was very much more along the statutory lines for the site certification process and the experience that Vogtle and Summer had in the federal process.

We have had a protracted go of it in both venues, so we have experienced a little higher cost, and I don't know if that's the result of being later in the queue and being subject to certain resource issues or if is there a trend there. But we have been, from the start, overall pretty close to what we thought the costs were going to be. We thought all those costs would be expended in several years. We have stretched that out, but we have been able to maintain those costs essentially in the same range. So we have dialed down on the resources. We have tightened up on the costs as

we have seen the regulatory process take longer.

COMMISSIONER BROWN: Thank you. That's all.

CHAIRMAN BRISÉ: Commissioners. Okay. I have maybe one or two questions for you. Have you seen yourself professionally any other projects come to fruition?

THE WITNESS: I have seen the Vogtle and Summer projects move into nuclear grade construction. That's a very significant milestone for nuclear construction in the United States. I have also seen, obviously, our uprate projects move into a position where we are providing 100 percent of what was -- or actually more than 100 percent of what was targeted for those projects.

CHAIRMAN BRISÉ: Okay. So based upon what you have seen professionally, what would you rate the possibility of this project coming into fruition or into operation based upon the steps that are being taken?

THE WITNESS: I think taking a look at our track record over the course of time, we have been very up front about the challenges of a complex project like this. We have talked about controlling the spend and controlling the approach relative to things that we can't control, such us the regulatory process, and that's so that we keep this opportunity alive for our

customers. The numbers over my shoulder are what tell us we're moving in the right direction. If we keep doing it in a very disciplined manner and a very controlled manner, we can get there.

CHAIRMAN BRISÉ: Okay. Final question. So as you sit here today, you can't definitively say that FPL is in the posture to say, yes, we're going to construct?

THE WITNESS: As I sit here today, I cannot commit on a date certain and a cost certain. I can tell you it is every bit the company's intention to complete this project.

CHAIRMAN BRISÉ: Okay. So just for clarification, the intent -- as it sits today based on all the information that you have today, the intent is to build?

THE WITNESS: Yes, sir.

CHAIRMAN BRISÉ: Okay. Thank you.

Any further questions, Commissioners?

All right. Redirect.

MS. CANO: No redirect.

CHAIRMAN BRISÉ: Okay. Thank you. I think we have some exhibits that we need to enter.

MS. CANO: Thank you. FPL would move Exhibits 2 through 11 into the record.

CHAIRMAN BRISÉ: Okay. We will move Exhibits

2 through 11 into the record. Seeing no objections? Okay.

(Exhibit Numbers 2 through 11 entered into the record.)

CHAIRMAN BRISÉ: Mr. Cavros.

MR. CAVROS: Thank you. And SACE would move Exhibits 113 and 114 into the record.

CHAIRMAN BRISÉ: We will move Exhibits 113 and 114 into the record. Seeing no objections?

(Exhibit Numbers 113 and 114 entered into the record.)

CHAIRMAN BRISÉ: Staff, there were no exhibits that you offered. Okay.

Is there anything further for this witness?

MS. CANO: No, but we'd ask that this witness be excused.

CHAIRMAN BRISÉ: Okay. I just want to make sure that everyone is good with that. If there were no issues on rebuttal, if you had any rebuttal. Okay.

Thank you. So with that, Mr. Scroggs, thank you for your testimony today, and you are certainly excused.

THE WITNESS: Thank you, sir.

CHAIRMAN BRISÉ: All right.

(Transcript continues in sequence

with Volume 4.)

STATE OF FLORIDA)

: CERTIFICATE OF REPORTER

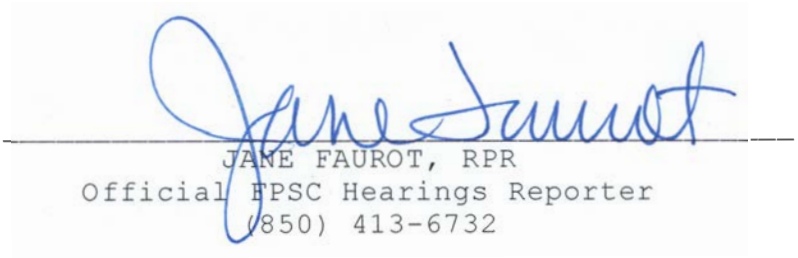
COUNTY OF LEON)

I, JANE FAUROT, RPR, Chief, Hearing Reporter Services Section, FPSC Division of Commission Clerk, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 14th day of August, 2013.



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