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## P R O C E E D I N G S

(Transcript continues in sequence from Volume 2.)

**CHAIRMAN BRISÉ:** Okay. I think we're ready to reconvene. We were at the point when FPL was going to call their next witness, so if you can go ahead and do that.

**MR. RUBIN:** Yes, Chairman Brisé. FPL calls Don Grissette. Mr. Grissette has already been sworn.

**CHAIRMAN BRISÉ:** All right. Thank you.

**DON GRISSETTE**

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

**EXAMINATION**

**BY MR. RUBIN:**

**Q** Good afternoon. Would you please state your name and business address?

**A** Yes. My name is Don Grissette. I work at 700 Universe Boulevard, Juno Beach, Florida 33408.

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

**A** I'm employed by Florida Power & Light as the General Manager of Organizational Effectiveness in the Nuclear Business Unit.

**Q** Have you prepared and caused to be filed nine pages of prefiled direct testimony in this proceeding on

1 August 2, 2013?

2 **A** Yes.

3 **Q** And have you also prepared and caused to be  
4 filed 21 pages of prefiled direct testimony in this  
5 proceeding on August 30, 2013?

6 **A** Yes.

7 **Q** Do you have any changes or revisions to your  
8 prefiled direct testimony?

9 **A** I do. The number \$227,000 that appears on  
10 page 9 of my August 2nd, 2013, testimony should be  
11 replaced with the number \$243,000.

12 **Q** Thank you. Aside from that one change, if I  
13 asked you the same questions contained in your prefiled  
14 direct testimony, would your answers be the same?

15 **A** They would.

16 **MR. RUBIN:** Mr. Chairman, I ask that the  
17 prefiled direct testimony of Mr. Grissette with that one  
18 change that's just been indicated be inserted into the  
19 record as though read.

20 **CHAIRMAN BRISÉ:** Okay. We'll enter  
21 Mr. Grissette's prefiled direct testimony into the  
22 record, recognizing the change that was just made. Any  
23 objections? Seeing none, it's into the record.

24 **MR. RUBIN:** Thank you.

25 **BY MR. RUBIN:**

1 **BY MR. RUBIN:**

2 **Q** Are you sponsoring any exhibits to your direct  
3 testimony?

4 **A** Yes. I am co-sponsoring portions of Exhibits  
5 TJK-1, 3, 5, 6, and 7.

6 **MR. RUBIN:** Mr. Chairman, those exhibits have  
7 previously been identified by Witness Keith and marked  
8 for identification in the record.

9 **CHAIRMAN BRISÉ:** Thank you.

10 **MR. RUBIN:** They've been entered into the  
11 record. I'm sorry.

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**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**  
**FLORIDA POWER & LIGHT COMPANY**  
**TESTIMONY OF DON GRISSETTE**  
**DOCKET NO. 130001-EI**  
**AUGUST 2, 2013**

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

A. My name is Don Grissette. 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 as General Manager of Organizational Effectiveness in the Nuclear Business Unit.

**Q. Please describe your duties and responsibilities in that position.**

A. I am currently responsible for the daily and strategic activities for the nuclear fleet's Training, Licensing, Performance Improvement, and Nuclear Security organizations.

**Q. Please describe your educational background and business experience in the nuclear industry.**

A. I hold a Master of Science degree in Radiation Toxicology from Auburn University, and a Bachelor of Science degree in Chemistry from Troy State University. I also earned a Senior Reactor Operator License at Farley Nuclear Plant.

1 I have spent 32 years in the nuclear industry in increasingly  
2 responsible positions at Southern Nuclear, FPL and TVA including  
3 Operations Manager, Plant General Manager and Corporate and Site  
4 Vice President.

5

6 I have served as an industry advisor at Auburn University, North  
7 Carolina State University and for several Institute of Nuclear Power  
8 Operations (INPO) and World Association of Nuclear Operators  
9 (WANO) evaluations.

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

11 A. My testimony presents and explains FPL's projections of the 2013 costs  
12 incurred in response to new Nuclear Regulatory Commission (NRC)  
13 requirements resulting from the events that occurred at the Fukushima  
14 Daiichi nuclear power station in Japan (Fukushima).

15 **Q. Please describe the natural disaster that occurred in Japan in  
16 2011 and its impact on nuclear power plants.**

17 A. On March 11, 2011, an earthquake occurred off the coast of Japan,  
18 which resulted in a tsunami. The earthquake and tsunami caused  
19 significant damage to the units at Fukushima. Following the  
20 earthquake and tsunami, off-site power was lost and cooling water  
21 systems were damaged, resulting in difficulties in cooling all of the  
22 units' reactor cores and spent fuel pools, and leading to explosions  
23 and radiation leaks from the site. The events at Fukushima raised



1 questions about nuclear safety, which have been explored by all US  
2 nuclear plant sites, the NRC and INPO.

3 **Q. What changes has the NRC implemented as a result of the**  
4 **Fukushima events?**

5 A. Even though the NRC has concluded that all U.S. plants are safe, the  
6 impact on NRC licensees, such as FPL, of the lessons learned from  
7 the Fukushima event is expected to be significant. In March 2012, the  
8 NRC issued three Orders and three Requests for Information (RFIs)  
9 which define, at a high level, what is to be changed and when the  
10 expected changes are to be completed. It should be noted the NRC  
11 has yet to specifically define the criteria or parameters to implement.

12

13 The NRC Orders address Mitigation Strategies, Hardened Vent (not  
14 applicable to FPL nuclear sites) and Spent Fuel Pool Instrumentation.

15 The RFIs address Seismic and Flooding Walkdowns, Seismic and  
16 Flooding Re-evaluations and Emergency Planning Communications  
17 and Staffing. The required responses to the Orders and RFIs follow  
18 varying schedules from 60 days to several years, but can be broadly  
19 grouped into immediate, short and long term requirements.

20 **Q. Is FPL's exposure to Fukushima response costs analogous to**  
21 **the exposure that FPL has had to post-9/11 power plant security**  
22 **costs?**

1 A. Yes. Both events were unanticipated disasters that are having  
2 significant impacts on regulatory requirements and resulting in  
3 additional costs for operating nuclear power plants. Both events  
4 fundamentally have changed the landscape of expectations for the  
5 protection of nuclear plants. In 2001, it was the nature and scope of  
6 terrorist threats. In 2012, it was the nature and scope of potential  
7 seismic and flooding events. In both instances, there has been  
8 substantial uncertainty as to the ongoing cost impacts.

9 **Q. What steps has FPL already implemented as a result of the new**  
10 **NRC Fukushima-related Orders and RFIs?**

11 A. To date, the majority of the actions taken by FPL have been  
12 associated with re-evaluation of existing design features and  
13 development of strategies and conceptual design of modifications  
14 needed to satisfy the immediate term NRC Orders and RFIs. This  
15 included acquiring additional diesel generators and water pumps,  
16 initiating seismic and flooding walkdowns and responding to all  
17 information requests.

18 **Q. What types of further steps does FPL anticipate taking as a result**  
19 **of the new NRC Orders and RFIs?**

20 A. FPL will be required to make plant modifications and enhancements to  
21 support "beyond design basis" mitigation strategies submitted to the  
22 NRC. The project scope is still evolving based on NRC interaction and  
23 is currently expected to include but not be limited to the following:

- 1           • Modifications and interim actions needed to satisfy re-  
2           evaluated seismic analysis. Modifications and interim actions  
3           needed to satisfy re-evaluated flooding analysis. Modifications  
4           to existing plant equipment to support beyond design basis  
5           station blackout mitigation strategies.
- 6           • Hardened storage, equipment and modifications needed to  
7           mitigate beyond design basis events using portable equipment  
8           stored on site.
- 9           • Equipment and modifications needed to mitigate beyond  
10          design basis events using portable equipment stored off-site.
- 11          • Additional Spent Fuel Pool Instrumentation.
- 12          • Upgraded Onsite Emergency Response Capabilities.
- 13          • Training associated with beyond design basis procedures and  
14          emergency plan requirements.

15

16          FPL submitted its proposed implementation plan to the NRC on  
17          February 28, 2013 associated with the two Regulatory Orders  
18          requiring immediate action: Spent Fuel Instrumentation Upgrades and  
19          Station Black-out Mitigation Strategies. To ensure FPL complies with  
20          the current regulatory deadlines, FPL has begun the engineering  
21          phase of the implementation plan with the assumption that the NRC  
22          will accept the plan as submitted. Any revisions that are needed will  
23          be addressed through the RFI process. Progress updates must be

1 provided to the NRC every six months until all required actions are  
2 complete.

3 **Q. Please describe the RFI process in more detail.**

4 A. The RFI process is an iterative process following the NRC issuing  
5 specific criteria and parameters that must be satisfied. FPL then  
6 submits its proposal to the NRC to address these items. The NRC  
7 and FPL teams begin to exchange information as both move toward a  
8 mutually acceptable understanding of appropriate mitigating  
9 strategies. There is a high likelihood that additional scope changes will  
10 result from this interaction. Since the NRC final decisions will be  
11 ongoing for a number of years, the costs are unpredictable and are  
12 likely to be volatile and irregular.

13 **Q. Please provide a brief description of the Fukushima-related  
14 activities that are being pursued in 2013.**

15 A. FPL is currently pursuing or expects to pursue the following activities in  
16 2013:

- 17 • Seismic Re-evaluations: FPL will perform comparisons of plant  
18 design curves to new curves endorsed by the NRC.
- 19 • Flooding Re-evaluation: FPL completed the re-evaluation in  
20 2013 and has begun a flooding integrated assessment based  
21 on re-evaluation results.
- 22 • Station Black Out Mitigation: FPL has begun the engineering  
23 design of the modifications based on the proposed plan



1 submitted to the NRC earlier this year. Additionally, FPL will  
2 incur costs associated with the Regional Response Centers (a  
3 warehouse of off-site portable equipment shared by the  
4 industry that was established in 2013 and will be functional in  
5 2014).

- 6 • Spent fuel Instrumentation: FPL has begun the engineering  
7 design and procurement of equipment to support  
8 instrumentation that will be installed in 2014.
- 9 • Emergency Preparedness Staffing studies.
- 10 • Payment of NRC fees associated with these efforts.

11 **Q. Does FPL have enough information currently to project with**  
12 **confidence the cost to complete all Fukushima-related**  
13 **modifications and enhancements that may be required by the**  
14 **NRC?**

15 A. No. Until the NRC endorses the proposed mitigation strategies, cost  
16 projections will remain uncertain. However, FPL has engaged a third  
17 party cost estimating expert, High Bridge Associates, Inc. (HBA) to  
18 prepare a parametric analysis based on FPL implementation plan  
19 submittals provided to the NRC, and on HBA's knowledge of the other  
20 licensees' approaches to providing additional Spent Fuel Pool  
21 Instrumentation and Station Blackout Mitigation. The parametric  
22 analysis will provide a range of costs likely to be incurred for the  
23 expected scope of work.

1 **Q. Will the use of HBA provide other benefits to the project?**

2 A. Yes. HBA is also proving to be an invaluable source of industry-wide  
3 information that FPL is using to refine its analysis of compliance  
4 alternatives. This analysis supports FPL's identification of least-cost  
5 compliance strategies. For example, FPL submitted a conceptual  
6 design to the NRC for using quick electrical connections vice running  
7 cables to portable generator breakers. HBA's valuation for this design  
8 was substantially greater than FPL's. Consequently, FPL re-evaluated  
9 the design to determine whether there was an alternative strategy that  
10 could be implemented at a lower cost. Ultimately, FPL and HBA  
11 identified an alternative approach that will accomplish the same  
12 outcome for a third of the cost.

13 **Q. When does FPL currently expect to complete the Fukushima-**  
14 **related modifications and enhancements?**

15 A. The NRC has established completion dates of late 2015 and mid 2016  
16 for the immediate-term Spent Fuel Instrumentation Upgrades and  
17 Station Black-out Mitigation Strategies Orders. Modifications required  
18 because of seismic and flooding re-evaluations may extend beyond  
19 2017. Actions and dates associated with the short and long term  
20 actions have not been established.

21 **Q. Did FPL include any costs to comply with the Fukushima**  
22 **requirements in the Rate Case Forecast that was filed in Docket**  
23 **No. 120015-EI?**

1 A. Yes. FPL included a total of approximately \$10 million of capital  
2 expenditures for 2012 and 2013 and \$144,000 of O&M expenses for  
3 2013. However, at the time the Rate Case Forecast was developed in  
4 the Fall of 2011, not enough information was available to estimate the  
5 full impact of the Fukushima event.

6 **Q. Does FPL expect to incur Fukushima-related costs well in excess  
7 of the Rate Case Forecast levels in 2013 and beyond?**

8 A. Yes. It has become apparent that the required scope of Fukushima-  
9 related actions will be substantially greater than FPL was in a position  
10 to estimate at the time that the Rate Case Forecast was developed.

11 **Q. What is FPL's current projection of Fukushima-related costs at  
12 FPL's nuclear power plants for the period January 2013 through  
13 December 2013?**

14 A. FPL's current projection of Fukushima-related costs for 2013 is  
15 approximately \$13.2 million of capital expenditures and \$227,000 of  
16 O&M expenses. As described in FPL witness Keith's testimony, FPL is  
17 only requesting recovery of the incremental amount of these costs in  
18 excess of what FPL included in its Rate Case Forecast.

19 **Q. Does this conclude your testimony?**

20 A. Yes, it does.

1           **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**  
2                           **FLORIDA POWER & LIGHT COMPANY**  
3                           **TESTIMONY OF DON GRISSETTE**  
4                           **DOCKET NO. 130001-EI**  
5                           **AUGUST 30, 2013**

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

8   A.    My name is Don Grissette. My business address is 700 Universe  
9         Boulevard, Juno Beach, Florida 33408.

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

11 A.    I am employed by Florida Power & Light as General Manager of  
12         Organizational Effectiveness in the Nuclear Business Unit.

13 **Q.    Please describe your duties and responsibilities in that**  
14 **position.**

15 A.    I am currently responsible for the daily and strategic activities for  
16         the nuclear fleet’s Training, Licensing, Performance Improvement,  
17         and Security organizations.

18 **Q.    Have you previously filed testimony in this docket?**

19 A.    Yes, I have.

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



1 A. My testimony presents and explains FPL's projections of nuclear fuel  
2 costs for the thermal energy (MMBtu) to be produced by our nuclear  
3 units and the costs of disposal of spent nuclear fuel. Both nuclear  
4 fuel and disposal of spent nuclear fuel costs were input values to the  
5 POWERSYM model that is used to calculate the costs to be  
6 included in the proposed fuel cost recovery factors for the period  
7 January 2014 through December 2014. I am also updating the  
8 status of certain litigation that affects FPL's nuclear fuel costs; plant  
9 security costs; new NRC requirements resulting from Fukushima;  
10 and outage events.

11

## 12 **Nuclear Fuel Costs**

13 **Q. What is the basis for FPL's projections of nuclear fuel costs?**

14 A. FPL's nuclear fuel cost projections are developed using projected  
15 energy production at our nuclear units and current operating  
16 schedules, for the period January 2014 through December 2014.

17 **Q. Please provide FPL's projection for nuclear fuel unit costs and  
18 energy for the period January 2014 through December 2014.**

19 A. FPL projects the nuclear units will produce 297,384,483 MMBtu of  
20 energy at a cost of \$0.6383 per MMBtu, excluding spent fuel  
21 disposal costs, for the period January 2014 through December 2014.

1 Projections by nuclear unit and by month are in Appendix II, on  
2 Schedule E-4, starting on page 16.

3

4 **Spent Nuclear Fuel Disposal Costs**

5 **Q. Please provide FPL's projections for spent nuclear fuel disposal**  
6 **costs for the period January 2014 through December 2014 and**  
7 **explain the basis for FPL's projections.**

8 A. FPL's projections for spent nuclear fuel disposal costs of  
9 approximately \$26.1 million are provided in Appendix II, on Schedule  
10 E-2, starting on page 12. These projections are based on FPL's  
11 contract with the U.S. Department of Energy (DOE), which sets the  
12 spent fuel disposal fee at 0.9387 mills per net kWh generated,  
13 including transmission and distribution line losses.

14

15 **Litigation Status Update**

16 **Q. Is there currently an unresolved dispute relating to the spent**  
17 **fuel disposal fee?**

18 A. Yes. On June 1, 2012, the U.S. Court of Appeals for the District of  
19 Columbia (D.C.) Circuit ruled that the DOE failed to perform a valid  
20 evaluation of whether the spent fuel disposal fee should be  
21 adjusted in light of the Federal Government's decision not to  
22 develop the Yucca Mountain site as the disposal location for spent

1 nuclear fuel from nuclear power plants. The Court did not grant the  
2 requested relief -- suspension of the fee -- but remanded the  
3 matter to DOE with directions to perform a valid evaluation of a  
4 potential fee adjustment within six months. The D.C. Circuit  
5 retained jurisdiction over the case so that any further review of  
6 DOE's revised analysis can be expedited. This ruling came in  
7 response to a petition filed by FPL and other utilities that was  
8 supported by a joint filing by this Commission and the Office of  
9 Public Counsel. DOE submitted a revised fee adequacy  
10 evaluation to the Court on January 16, 2013. On January 31, the  
11 National Association of Regulatory Utility Commissioners (NARUC)  
12 and Nuclear Energy Institute (NEI) filed a motion asking the Court  
13 to reopen the proceeding for review of the revised evaluation and  
14 to order the suspension of the fee as originally requested. The  
15 Court agreed to reopen the proceedings on February 27, 2013, and  
16 both parties have filed additional briefs as directed by the Court.  
17 Oral arguments are scheduled for September 25, 2013.

18

19 **Nuclear Plant Security Costs**

20 **Q. What is FPL's projection of incremental security costs at**  
21 **FPL's nuclear power plants for the period January 2014**  
22 **through December 2014?**

1 A. FPL projects that it will incur \$44.2 million in incremental nuclear  
2 power plant security costs in 2014. The costs consist of \$7.0 million  
3 of capital expenditures and \$37.2 million of O&M expenses.

4 **Q. Please provide a brief description of the items included in this**  
5 **projection.**

6 A. The projection includes maintaining a security force as a result of  
7 implementing NRC's fitness for duty rule under Part 26, which strictly  
8 limits the number of hours security personnel may work; additional  
9 personnel training; maintaining the physical upgrades resulting from  
10 implementing NRC's physical security rule under Part 73; and  
11 impacts of implementing NRC's rule under Part 73 for Cyber  
12 Security. It also includes Force on Force (FoF) modifications at the  
13 St. Lucie and Turkey Point nuclear sites to effectively mitigate new  
14 adversary tactics and capabilities employed by the NRC's Composite  
15 Adversary Force (CAF) as required by NRC inspection procedures.

16

17 **Fukushima Costs**

18 **Q. What is FPL's projection of Fukushima costs at FPL's nuclear**  
19 **power plants for the period January 2014 through December**  
20 **2014?**

21 A. FPL's current projection of Fukushima-related costs for 2014 is  
22 approximately \$27.5 million of capital expenditures and \$400,000 of

1 O&M expenses. These estimates are for total expenditures,  
2 reflecting both the amounts that were included in the 2013 base rate  
3 test year and the increments above those amounts. FPL witness  
4 Keith discusses the calculation of the 2014 Fukushima-related  
5 recovery amount that FPL seeks to include in the Capacity Clause.

6 **Q. Please provide a brief description of the items included in this**  
7 **projection of Fukushima-related costs.**

8 A. FPL expects to pursue the following activities in 2014:

- 9     ▪ Seismic Re-evaluation: FPL will compare current design basis  
10     curves to new Seismic Curves. FPL will also incur EPRI fees  
11     associated with seismic re-evaluations.
- 12     ▪ Flooding Re-evaluation: FPL will complete a flooding integrated  
13     assessment based on re-evaluation results obtained in 2013.
- 14     ▪ Station Black out Mitigation: FPL will implement its Station Black-  
15     out mitigation strategies. The implementation will include:
  - 16         ▪ design and implementation of hardened storage for portable  
17         equipment
  - 18         ▪ engineering and purchase of equipment to install low leakage  
19         Reactor Coolant Pump Seals in 2015 and 2016
  - 20         ▪ purchase of portable equipment

- 1       ▪ modifications to existing plant equipment that upgrades
- 2             protection or provide a means to tie portable equipment into
- 3             existing electrical and fluid systems
- 4       ▪ procedure and training development and
- 5       ▪ FPL’s share of costs for the Regional Response Centers (a
- 6             warehouse of off-site portable equipment shared by the
- 7             industry).
- 8       ▪ Spent fuel Instrumentation: FPL will procure and install two new
- 9             level instruments in each Spent Fuel Pool.
- 10       ▪ Station Black-out preliminary staffing studies
- 11       ▪ Emergency Preparedness facility and procedure upgrades
- 12       ▪ Payment of NRC fees associated with these efforts

13

14 **2013 Outage Events**

15 **St. Lucie**

16 **Q. Has FPL experienced any unplanned outages at St. Lucie Unit 1**

17 **in 2013?**

18 A. Yes. In March 2013, Unit 1 automatically shut down due to the

19 malfunction of the 1B Main Steam Isolation Valve (MSIV), which

20 reduced steam flow to the secondary plant.

21 **Q. What caused the malfunction of the MSIV?**

1 A. Disassembly of 1B MSIV (HCV-08-1B,1B MSIV) revealed  
2 unexpected contact between the check valve and the valve body  
3 that is part of the MSIV. This prevented the valve, when open, from  
4 fully seating on the surfaces designed to absorb the forces from  
5 the valve actuator. Without the check valve fully seating, forces  
6 exceeding design loads were transmitted through the actuator  
7 linkage and caused the failure of the valve.

8 **Q. What corrective actions have been initiated to address these**  
9 **events?**

10 A. FPL replaced the damaged internal valve parts and eliminated the  
11 area of unexpected contact that caused the valve failure.  
12 Additionally, FPL revised the maintenance procedure and vendor  
13 manual to include steps to ensure the valve opens completely  
14 without contacting the valve body after any maintenance has been  
15 performed on it.

16 **Q. How many days was St. Lucie Unit 1 out of service due to this**  
17 **issue?**

18 A. The Unit 1 outage due to the MSIV was approximately 20 days.

19 **Q. Has St. Lucie Unit 2 experienced any unplanned outages in**  
20 **2013?**

1 A. Yes. In May 2013, Unit 2 was operating at 88 percent power with  
2 the 2A2 Condenser Waterbox and 2A2 Circulating Water Pump  
3 removed from service due to a suspected condenser tube leak.  
4 During a very large algae intrusion event, the unit experienced high  
5 differential pressure on the debris filter for the 2A1 Condenser  
6 Waterbox, which required the 2A1 Circulating Water Pump to be  
7 removed from service as well. With both the 2A1 and 2A2  
8 Circulating Water Pumps removed from service, FPL had to  
9 manually shut down the unit.

10 **Q. What caused the high differential pressure on the debris filter**  
11 **system?**

12 A. FPL determined internal binding of the flush water check valve  
13 caused a false low debris filter system (DFS) transmitter differential  
14 pressure. This false signal, in conjunction with a very large algae  
15 intrusion, prevented the DFS strainer from properly backwashing to  
16 avoid clogging of the DFS filter and resulted in the subsequent high  
17 differential pressure that led to manual shutdown of the unit.

18 **Q. What corrective actions did FPL initiate to avoid this problem in**  
19 **the future?**

20 A. The flush water check valves were replaced with new check valves  
21 and a procedure for preventative maintenance checks was added  
22 to help ensure the check valves operate properly with no binding.



1           Additionally, FPL plans to replace the flush water check valves with  
2           a design that is not susceptible to similar binding and has a higher  
3           opening pressure.

4   **Q.   How many days was St. Lucie Unit 2 out of service due to this**  
5   **issue?**

6   A.   The Unit 2 outage due to the 2A1 Condenser Waterbox was  
7        approximately 3 days.

8   **Q.   Has St. Lucie Unit 2 experienced any other unplanned outages**  
9   **in 2013?**

10  A.   Yes. In May, while Unit 2 was returning to service from the algae  
11       intrusion event, the turbine # 9 bearing experienced vibrations at  
12       levels that required FPL to manually shut down the unit.

13  **Q.   What caused the high vibrations in the turbine?**

14  A.   Prior to the shutdown, the turbine #9 bearing had been  
15       experiencing acceptable but higher than desired vibrations. To  
16       reduce the vibrations and thus optimize the long term health of the  
17       turbine, FPL installed an exciter balance weight on the turbine  
18       when the unit was offline for the algae intrusion event discussed  
19       above. As is often the case with turbine balancing, the initial  
20       adjustment did not resolve the vibration issue and it took several

1 iterations before the vibration was reduced to acceptable levels  
2 that allowed the unit to return to service.

3 **Q. What corrective actions did FPL initiate to avoid this problem in**  
4 **the future?**

5 A. In the future, to minimize the number of turbine balance  
6 adjustments needed, FPL revised the unit restart readiness  
7 procedure to include additional reviews of planned turbine balance  
8 adjustments. These reviews will be performed prior to unit shut  
9 down and performance of the balance adjustments. Performing  
10 outside technical reviews upfront will allow for improved accuracy  
11 in the calculations and less field adjustments should be needed.

12 **Q. How many days was St. Lucie Unit 2 out of service due to this**  
13 **issue?**

14 A. The Unit 2 outage due to turbine # 9 bearing vibration was  
15 approximately 2 days.

16

17 **Turkey Point**

18 **Q. Has FPL experienced any unplanned outages at its Turkey Point**  
19 **plant in 2013?**

20 A. Yes. In February 2013, Unit 3 automatically shut down due to an  
21 unexpected loss of condenser vacuum.

1 **Q. What caused the loss of condenser vacuum?**

2 A. The Gland Seal Spillover Control Valve CV-3-3725 was being  
3 bypassed in preparation for diagnostic testing. While executing the  
4 preparation for testing, the open bypass valve allowed a significant  
5 reduction in gland sealing steam pressure and a loss of main  
6 condenser vacuum. The main condenser vacuum declined to the  
7 system set point, which caused an automatic reactor and turbine  
8 shut down. The system responded as designed.

9 **Q. What corrective actions has FPL initiated to avoid this problem**  
10 **in the future?**

11 A. FPL revised guidelines to add additional steps for bypassing  
12 spillover valves to include additional communication with the  
13 control room and monitoring so as to reduce the possibility for  
14 automatic shutdowns when the condenser pressure is reduced.

15 **Q. How many days was Turkey Point Unit 3 out of service due to**  
16 **this issue?**

17 A. The Unit 3 outage due to loss of condenser vacuum was  
18 approximately 3 days.

19 **Q. Has Turkey Point Unit 3 experienced any other unplanned**  
20 **outages in 2013?**

1 A. Yes. In February, Unit 3 was manually shut down due to a  
2 malfunction of the 3A Reactor Coolant Pump (RCP) #1 seal.  
3 During normal plant operations, leak-off from the RCP #1 seal  
4 increased to an unexpectedly high level that was not consistent  
5 with the 3B or 3C RCP seals. The seal leak-off increased to a level  
6 that required the 3A RCP to be secured, which mandates a manual  
7 unit shutdown per plant operating procedures. The seal leak-off  
8 must be maintained within the vendor recommended band to avoid  
9 damage to the seal.

10 **Q. What caused the 3A RCP #1 seal malfunction?**

11 A. The 3A RCP seal was disassembled, inspected and found to have  
12 a damaged #1 seal ring and runner O-ring. The damaged O-ring  
13 appeared to have been "pinched," which led to its degradation. The  
14 root cause has not been definitively established; however, FPL  
15 believes that conditions associated with the installation of the O-  
16 ring and preparation of contact surfaces between the RCP  
17 shoulder shaft and the seal by AREVA personnel during  
18 maintenance of the RCP in the prior outage likely contributed to the  
19 excessive seal leakage. In addition, it has become clear that the  
20 design of the current seal makes it difficult to assemble properly  
21 and to verify proper assembly.

1 **Q. What corrective actions has FPL initiated to avoid this problem**  
2 **in the future?**

3 A. FPL and AREVA replaced the seal. Additionally, FPL revised the  
4 RCP seal maintenance and assembly procedure to include a hold  
5 point that ensures a check is performed any time a RCP shoulder  
6 shaft is machined. FPL also plans to replace all three RCP seals  
7 with a new seal design that is more robust and easier to maintain.  
8 This replacement will occur during the Fall 2015 outage that FPL  
9 will conduct in order to implement Fukushima response  
10 requirements.

11 **Q. How many days was Turkey Point Unit 3 out of service due to**  
12 **this issue?**

13 A. The Unit 3 outage due to the RCP #1 seal malfunction was  
14 approximately 22 days.

15 **Q. Has Turkey Point Unit 3 experienced any other unplanned**  
16 **outages in 2013?**

17 A. Yes. In March, while Unit 3 was returning to service from the RCP  
18 seal event, the Turbine Lower Left Control Valve (LLCV) closed  
19 unexpectedly causing a loss of power. FPL manually shut down the  
20 turbine to investigate and perform repairs to the LLCV. The reactor  
21 was maintained at 3% power to support the LLCV repair. Following

1 the repair, a reactor protection signal was initiated while testing the  
2 LLCV that caused an automatic shutdown of the reactor.

3 **Q. What caused the manual shut down of the turbine and automatic**  
4 **shut down of the reactor?**

5 A. The Turbine Control Valves are controlled by the new Turbine  
6 Control System (TCS) that was installed during the Extended  
7 Power Uprate (EPU) outage. Each Turbine Control Valve utilizes  
8 two Linear Variable Differential Transformers (LVDTs) that provide  
9 valve position feedback to the TCS. The TCS sends an electrical  
10 signal to the control valve to position them as required. FPL  
11 determined that one of the connectors contained in one LVDT for  
12 the #3 Turbine Control Valve was loose and the signal cable  
13 appeared to be burnt and discolored.

14  
15 When the #3 Control Valve was stroked for post maintenance  
16 testing, steam entered the turbine through open upstream isolation  
17 valves (MSIVs), causing the steam pressure indicator to spike. The  
18 pressure indicator, sensing a steam pressure value that was  
19 consistent with power operation, activated the "At-Power" reactor  
20 trip programs in the Reactor Protection System, one of which  
21 functioned as designed to initiate an automatic reactor shutdown. .

1 **Q. What corrective actions has FPL initiated to avoid these**  
2 **problems in the future?**

3 A. To address the loose connector, the affected LVDT and cable were  
4 replaced and calibrated before returning to service. Additionally,  
5 FPL revised the applicable maintenance procedures to direct the  
6 use of dielectric gel to improve conductivity of the LVDT cable  
7 connections and protect them from exposure to outdoor elements.  
8 To help avoid the type of automatic shutdown of the reactor that  
9 occurred during post-maintenance testing of the LVDT repair, a  
10 change to the Turbine Operating Procedure was made that  
11 requires the upstream isolation valves to be closed whenever  
12 testing of the Turbine Control Valves is performed.

13 **Q. How many days was Turkey Point Unit 3 out of service due to**  
14 **these issues?**

15 A. The Unit 3 outage due to the Turbine # 3 control valve and reactor  
16 shut down was approximately 3 days.

17 **Q. Has Turkey Point Unit 3 experienced any other unplanned**  
18 **outages in 2013?**

19 A. Yes. In May, Unit 3 reduced power to 50% to perform repairs of the  
20 3B Steam Generator Feed Pump (SGFP). After it was identified  
21 that the pump could not be isolated due to inlet isolation valve

1 leakage, a unit shutdown was performed to facilitate safe access  
2 for disassembly of the 3B SGFP.

3 **Q. What caused the 3B SGFP performance degradation?**

4 A. FPL found that the 3B SGFP suction strainer had become  
5 disassembled while in service. Pieces became trapped inside of  
6 the 3B SGFP, adversely affecting its performance. Normally a  
7 SGFP can be taken out of service and isolated with the unit  
8 operating at reduced power, but a shutdown of Unit 3 was required  
9 due to 3B SGFP inlet isolation valve leakage. Failure of the 3B  
10 SGFP suction strainer required the unit to be reduced to below  
11 50% power, but subsequently Unit 3 had to be taken offline due to  
12 the inability of the 3B SGFP inlet isolation valve to maintain a safe  
13 pressure boundary for workers repairing the suction strainer. The  
14 new suction strainers were installed on the 3A, 3B, 4A, and 4B  
15 SGFPs during the Unit 3 and Unit 4 EPU outages. Analysis  
16 determined that the installed strainers were not structurally  
17 sufficient for the service.

18 **Q. What corrective actions has FPL initiated to avoid this problem  
19 in the future?**

20 A. FPL removed the damaged strainer material from the 3A, 3B, and  
21 4A SGFPs. FPL then permanently removed the suction strainers  
22 from the 3A, 3B, 4A, and 4B SGFPs to avoid the possibility of



1 future problems with the strainers becoming disassembled while in  
2 service. FPL plans to repair the 3B SGFP inlet isolation valve in the  
3 spring 2014 refueling outage, which will allow adequate time to  
4 prepare for efficient implementation of the required scope of work  
5 and thus minimize the time the unit is offline for the repair.

6 **Q. How many days was the Turkey Point Unit 3 outage due to this**  
7 **issue?**

8 A. The Unit 3 outage due to the 3B SGFP was approximately 6 days.

9 **Q. Has Turkey Point Unit 4 experienced any unplanned outages in**  
10 **2013?**

11 A. Yes. In April, while Unit 4 was shut down for the planned EPU  
12 outage, duration extensions associated with EPU modifications,  
13 post-maintenance testing, and several emergent component  
14 deficiencies delayed the restart of the unit.

15 **Q. What caused the Unit 4 duration extensions?**

16 A. The extensions were needed to address issues of the type that  
17 typically arise during one-time, first-of-their-kind implementations of  
18 major projects.

19 **Q. Do these duration extensions indicate a problem with the**  
20 **implementation of those projects?**

21 A. No. The EPU projects were one of the largest and most complex  
22 nuclear design, engineering and construction projects undertaken

1 in the nuclear industry since the construction of the previous  
2 generation of U.S. nuclear plants. The long duration outages  
3 involved significant engineering, equipment modifications and  
4 upgrades, most of which have no industry counterparts. As with  
5 any projects of such extraordinary magnitude, one has to expect  
6 the unexpected, including the high likelihood that some task  
7 durations will require more time than anticipated.

8 **Q. How many additional days was the Turkey Point Unit 4 out of**  
9 **service due to these implementation issues?**

10 A. The Unit 4 outage extension was approximately 6 days. The  
11 extension is based on the revised outage schedule that was  
12 changed after the fuel projection filing was filed in Docket No.  
13 120001-EI.

14 **Q. Has Turkey Point Unit 4 experienced any other unplanned**  
15 **outages in 2013?**

16 A. Yes. In April, while Unit 4 was in power ascension at 30% power  
17 from the planned EPU outage, Unit 4 automatically shut down  
18 while performing an electrical generator relay protection test  
19 (Harmonic Relay Ascension Testing).

20 **Q. What occurred during the electrical generator relay protection**  
21 **testing that caused the unit to shut down?**

1 A. The generator relay protection testing captures the performance of  
2 the new Unit 4 generator installed during the EPU outage at  
3 various power levels during power ascension. While performing  
4 the testing, a degraded voltage condition was created on the safety  
5 related 480V Load Centers, which initiated 4A and 4B 4kV bus  
6 stripping from the 4A and 4B sequencers. The 4A and 4B  
7 Emergency Diesel Generators automatically started in response to  
8 the condition and energized the 4A and 4B 4kV busses. The 4A  
9 and 4B Sequencers performed as designed and sequenced loads  
10 onto the 4A and 4B 4kV busses. As designed, the reactor  
11 automatically shut down due to the stripping of the Reactor Coolant  
12 Pumps off of the 4A and 4B 4kV busses.

13 **Q. What corrective actions has FPL initiated to avoid this problem**  
14 **in the future?**

15 A. Changes to risk recognition procedures were incorporated to  
16 explicitly identify the potential for Load Centers to be subject to  
17 degraded voltage conditions during testing and to spell out  
18 precautions that are to be taken to monitor Load Center voltage  
19 during any future generator testing that may be performed

20 **Q. How many days was Turkey Point Unit 4 out of service due to**  
21 **this issue?**

1 A. The Unit 4 outage due to the harmonic relay ascension testing was  
2 approximately 2 days.

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

4 A. Yes it does.

1 **BY MR. RUBIN:**

2 **Q** Have you prepared a summary of your direct  
3 testimony?

4 **A** Yes, I have.

5 **Q** Would you please provide that summary to the  
6 Commission.

7 **A** Yes, sir, I will.

8 Good afternoon, Commissioners. My prefiled  
9 testimony addresses several topics, but I will focus my  
10 summary on FPL's proposal to recover the NRC required  
11 Fukushima-related compliance costs through the capacity  
12 clause.

13 On March the 11th, 2011, an earthquake  
14 occurred off the coast of Japan that resulted in a  
15 tsunami that caused catastrophic damage to the Fukushima  
16 Daiichi nuclear plants. These events raised concerns  
17 about the safety of the U.S. nuclear fleet and led to  
18 reviews by plant operators, the Nuclear Regulatory  
19 Commission, and the Institute of Nuclear Power  
20 Operations. Even though the NRC has concluded that all  
21 U.S. nuclear plants are safe, the operational and  
22 financial impact of the Fukushima event on NRC  
23 licensees, including FPL, will be significant for many  
24 years to come.

25 We're already working to make plant

1 modifications and enhancements to support the design  
2 basis requirement mitigation strategies. However,  
3 project scope and additional requirements will continue  
4 to evolve as the NRC interacts with the industry.

5 In March of 2012 the NRC issued three orders  
6 and three requests for additional information. This is  
7 all in response to the Fukushima event. These NRC  
8 materials described at a very high level the anticipated  
9 changes that would take place in the U.S. nuclear  
10 industry as a result of Fukushima.

11 The NRC has not specifically defined the new  
12 requirements for the existing facilities and the  
13 timeline of these actions remain uncertain. However,  
14 the NRC has established completion dates for some of the  
15 immediate requirements to be completed by 2015 and 2016,  
16 though other immediate evaluations may extend beyond  
17 2017. Requirements and dates associated with short- and  
18 long-term actions have not been established.

19 The March 2012 NRC order addresses mitigation  
20 strategies and spent fuel pool instrumentation. The  
21 request for additional information addresses the seismic  
22 and flooding walkdowns, seismic and flooding  
23 reevaluations, emergency planning, communications, and  
24 staffing. Responses may be required for years to come.

25 On February 28th, FPL submitted its proposed

1 implementation plans in response to the two NRC  
2 regulatory orders requiring immediate action. The plan  
3 addresses spent fuel pool instrumentation upgrades and  
4 station blackout mitigation strategies.

5 To ensure FPL complies with the current  
6 regulatory deadlines, the company has begun the  
7 engineering phase of the implementation plan with the  
8 assumption that the NRC will accept our plan as  
9 submitted. Any revisions addressed through the RFI  
10 process -- or any revisions will be addressed through  
11 the process and FPL will provide updates to the NRC  
12 every six months.

13 The NRC process will continue for a number of  
14 years. The compliance costs are unpredictable and are  
15 likely to be volatile and irregular, and the timeline  
16 for establishing and implementing these requirements  
17 have not been set.

18 FPL has projected Fukushima-related costs for  
19 2013 and 2014. As described by FPL Witness Terry Keith,  
20 FPL is requesting recovery only for the incremental cost  
21 in excess of the amount forecast in the 2013 test year  
22 that FPL used in its recent rate case.

23 At the time the rate case forecast was  
24 developed in 2011, FPL simply did not have sufficient  
25 information to prepare a reasonable estimate for the

1 Fukushima costs. As more time has become available, it  
2 is now clear that the Fukushima-related costs will  
3 substantially exceed the rate case forecast in the years  
4 to come. We will continue to develop both strategies  
5 and cost estimates as the NRC moves forwards in their  
6 analysis and directives.

7 From an operational and financial perspective  
8 FPL's response to the NRC post-Fukushima requirements  
9 both immediately and into the foreseeable future is  
10 analogous to its response to requirements associated  
11 with the post-9/11 power plant security costs. In both  
12 cases unexpected external disasters caused significant  
13 changes to the regulatory requirements resulting in  
14 additional volatility and uncertainty in the timing and  
15 levels of costs required to comply with new and evolving  
16 regulations. Both events have fundamentally changed the  
17 landscape of expectations for the protection of our  
18 nuclear plants.

19 Starting in 2001, nuclear plants have faced  
20 the uncertainty and volatility from the constantly  
21 changing nature and the scope of terrorist attack.  
22 Since 2011, they've also have been facing the uncertain  
23 and emerging requirements to cope with potential seismic  
24 and flooding events.

25 This concludes my summary.



1           **MR. RUBIN:** Mr. Grissette is available for  
2 cross-examination.

3           **CHAIRMAN BRISÉ:** Thank you.

4           Mr. McGlothlin.

5                           **EXAMINATION**

6           **BY MR. MCGLOTHLIN:**

7           **Q**     Mr. Grissette, if you will, turn to page 3 of  
8 your August testimony.

9           **A**     August 2nd?

10          **Q**     Yes.

11          **A**     Okay.

12          **Q**     And with respect to the statement at line 5,  
13 which I think you also included in your summary, "The  
14 NRC has concluded all U.S. plants are safe," I gather  
15 that statement is made in the context of the NRC's  
16 evaluation of the Fukushima events; is that correct?

17          **A**     Repeat your question.

18                   They're safe in regards to their current  
19 design basis, yes.

20          **Q**     And do I understand correctly that, that is  
21 FP&L's conclusion as well?

22          **A**     Yes, sir.

23          **Q**     Now with that in mind, the conclusion by the  
24 NRC and FPL that after studying the Fukushima events all  
25 U.S. nuclear plants, including FPL's plants, are safe, I

1 gather that the question that begins at line 20 of that  
2 page refers to FPL's exposure to Fukushima response  
3 costs and not to FPL's exposure to Fukushima events; is  
4 that correct?

5 **A** I'm not sure I understand your question.

6 **Q** Well, you say that -- you refer to FPL's  
7 exposure to response costs, do you not?

8 **A** Okay. Our, our, our response to the Fukushima  
9 events is similar to the response associated with the  
10 9/11 event in that both are external and outside of our  
11 control.

12 **Q** But you are not describing either your  
13 position or the NRC's position with respect to the  
14 likelihood of FPL exposure to events similar to what  
15 occurred at Fukushima, are you?

16 **A** I'm not saying that we are subject to the same  
17 conditions that were experienced at Fukushima. We are  
18 --

19 **Q** That's all I wanted to know. Thank you, sir.

20 **MR. McGLOTHLIN:** I have one exhibit to provide  
21 to the witness and others.

22 **CHAIRMAN BRISÉ:** Sure. We are at 102.

23 (Exhibit 102 marked for identification.)

24 **BY MR. McGLOTHLIN:**

25 **Q** Mr. Grissette, the document that has been

1 identified as Exhibit 102 is captioned FPL's Fukushima  
2 Fact Sheets. Have you had an opportunity to peruse the  
3 contents?

4 **A** No, sir, I have not.

5 **Q** Would you take a moment and review it?

6 **A** Sure.

7 (Witness reviewing document.)

8 Okay. Very good.

9 **Q** Have you seen these disclosures or  
10 communications similar to these with respect to the FPL  
11 information on the Fukushima event?

12 **A** Personally I have not.

13 **Q** Are you familiar with the information that's

14 --

15 **A** Yes. I'm familiar with the general context of  
16 the information.

17 **Q** Okay. So take all the time you need, but I  
18 imagine you're conversant with, with the material.

19 **A** Oh, yes.

20 **Q** Among other things -- and I'm beginning with  
21 the last or the third fact sheet that is part of this  
22 exhibit that says that, "From FPL: Fact sheet on  
23 Florida Power & Light nuclear plants," it discusses,  
24 among other things, the advantages of FPL's pressurized  
25 water reactor over the Japanese boiling water reactor;

1 correct?

2 **A** That's correct.

3 **Q** And the difference gives FPL reactors a margin  
4 of safety over that of the Japanese reactors; correct?

5 **A** That's correct.

6 **Q** It discusses the advantages of FPL's more  
7 recent design over the design of the Japanese reactors;  
8 correct?

9 **A** Even though they're different designed  
10 reactors, the U.S. models are designed at a later level  
11 of standards than Fukushima. That's correct.

12 **Q** And it discusses the FPL advantage of having  
13 its reactors located in a low-risk seismic zone;  
14 correct?

15 **A** Statement of fact.

16 **Q** It discusses the fact that FPL's reactors have  
17 been constructed to withstand earthquakes.

18 **A** As all nuclear plants are, yes.

19 **Q** And discusses the length of time that the FPL  
20 plants can operate using onsite power sources; correct?

21 **A** That's correct.

22 **Q** And if you will turn to the first of the fact  
23 sheets, and this one is labeled "St. Lucie," you see  
24 such words as "revalidated" and "reconfirmed," do you  
25 not?

1           **A**     I do.

2           **Q**     So do I understand correctly that, as part of  
3 the response to the NRC's initiatives, FPL conducted  
4 evaluations and concluded that certain existing systems  
5 were adequate in light of the Fukushima experience?

6           **A**     What was concluded is that St. Lucie and  
7 Turkey Point meet their current licensing design basis,  
8 not the beyond design basis strategies required by the  
9 NRC.

10          **Q**     And on the second page you see the caption,  
11 "Safety Confirmed by Independent Experts." Do I  
12 understand correctly that this concept of safety is in  
13 the context of withstanding a Fukushima-like event?

14          **A**     That would not be correct. We, we have not,  
15 we have not evaluated the beyond design basis  
16 requirements dictated by the Fukushima orders. That  
17 comes up in the beginning of 2014. We have evaluated  
18 our current design basis, both seismic and both for  
19 flooding.

20          **Q**     Well, that speaks to what FPL has evaluated.  
21 But the quotation I see says, "The Nuclear Regulatory  
22 Commission continues to determine that U.S. nuclear  
23 plants are safe." And is that statement again in the  
24 context of a response to the Fukushima event?

25          **A**     I just want to make sure we're clear. The

1 U.S. NRC has determined that all nuclear plants are safe  
2 as compared to their current design basis. But none of  
3 the plants have been evaluated against the design basis,  
4 beyond design basis requirements as a result of  
5 Fukushima. That is forthcoming.

6 **Q** And that is the type of evaluation and  
7 implementation that is expected to stretch into 2015,  
8 2016, 2017 and perhaps thereafter.

9 **A** The evaluation as well as the response in the  
10 design changes that may come about as a result of that.  
11 Yes.

12 **MR. MCGLOTHLIN:** Those are all my questions.

13 **CHAIRMAN BRISÉ:** Okay. Thank you.

14 Staff?

15 **EXAMINATION**

16 **BY MS. BARRERA:**

17 **Q** Yes. Mr. Grissette, are the estimated costs  
18 projected for 2014 related to the NRC requirements for  
19 seismic and flood protection at nuclear plants arising  
20 of the -- out of the Fukushima Daiichi event?

21 **A** The Fukushima-related costs I believe is 27  
22 plus or minus million dollars capital for 2014 are  
23 associated with costs arising from the  
24 Fukushima-required orders. That includes additional  
25 seismic hydrology analysis, as well as the development

1 and implementation of the mitigation strategies for an  
2 extended station blackout.

3 **MS. BARRERA:** Thank you. We have no more  
4 questions.

5 **CHAIRMAN BRISÉ:** Okay. Commissioners?  
6 Commissioner Edgar.

7 **COMMISSIONER EDGAR:** Thank you. Counsel has,  
8 I believe, made a comparison of known and additional  
9 forthcoming expenses as a result of NRC and other  
10 requirements in reaction to Fukushima and has made a  
11 comparison for regulatory treatment purposes to allowed  
12 cost recovery for security requirements after 9/11.

13 **THE WITNESS:** Uh-huh.

14 **COMMISSIONER EDGAR:** Are you -- do you know  
15 for what years this, this Commission allowed cost  
16 recovery due to post-9/11 requirements in the fuel  
17 docket?

18 **THE WITNESS:** Well, I know that it started  
19 after 2001, and that recovery is still continuing today,  
20 if that's your question. Specifically the dates, I was  
21 not part of FPL during the time that that, that took  
22 place, but I do know that we do have security cost  
23 recovery in place today.

24 **COMMISSIONER EDGAR:** Thank you.

25 **CHAIRMAN BRISÉ:** Commissioner Balbis.

1                   **COMMISSIONER BALBIS:** Thank you, Mr. Chairman.

2                   A few questions, maybe, maybe just one or two.

3                   As far as requirements from the NRC or other regulatory  
4                   agencies associated with FPL's nuclear facilities, does  
5                   that happen often? And if so, what are some of the  
6                   types of, you know, year-to-year, month-to-month changes  
7                   or expenses that you have to incur because of regulatory  
8                   action?

9                   **THE WITNESS:** Sure. To me there's two types:  
10                  There's the type we're talking about here today, which  
11                  is the well beyond design basis emergent issues; and  
12                  then there's a progressive learning process by which the  
13                  NRC, as well as the nuclear utilities, develop a better  
14                  understanding of the basic requirements. They'll find  
15                  an issue at one plant that may not be covered in the  
16                  design specifications for the various plants. They'll  
17                  initiate a specific regulatory requirement and the other  
18                  plants will develop their mitigating strategies or  
19                  design the, design the plant to, to meet that particular  
20                  requirement.

21                  So these are ongoing small changes that take  
22                  place over the course of years, over the course of the  
23                  entire period of the nuclear industry. The regulations  
24                  have become more intelligent and they have been placed  
25                  on the, on the licensee.



1           This particular issue here is not part of that  
2 normal evolution of regulatory requirements. This is an  
3 external event driven outside the controls of FPL and  
4 the NRC that requires immediate and very distinct action  
5 to ensure the safety of the plant, not only now but in  
6 the years to come, should this beyond design basis  
7 actually occur.

8           **COMMISSIONER BALBIS:** Okay. And then going  
9 back to your, your previous case of these changes or  
10 costs incurred, how, how does FPL pay for those?

11           **THE WITNESS:** To the best of my knowledge,  
12 being, being somewhat predictable, somewhat reliable and  
13 known at the time, they were included in the, in the  
14 base case. For example, generic letter 191, which has  
15 to do with the containment sump issue. Those are  
16 relatively predictable, relatively constant, and the  
17 utility had a clear understanding of where we were today  
18 and where we were going at the end of the process.

19           So that -- to me there's a big difference  
20 between the ongoing regulatory requirements in the base  
21 case than these enormous issues that come about as a  
22 result of 9/11 and Fukushima.

23           **COMMISSIONER BALBIS:** Okay. So since, since  
24 those unfortunate events in March 2011, how long did the  
25 industry know that there were going to be some

1 requirements associated with the Fukushima disaster?

2 **THE WITNESS:** To be perfectly honest with you,  
3 the industry knew the day it hit CNN and Fox News. We  
4 knew that that changed the landscape of protection of  
5 the plants in the U.S. for seismic and hydrological  
6 issues.

7 In fact, I was the vice president of another  
8 utility, and that Monday morning I gathered my team  
9 together to say, "What have we got to do now? What have  
10 we got to do in the future?" And every utility across  
11 the nation did the same thing that day, knowing that  
12 this had changed nuclear power for good.

13 **COMMISSIONER BALBIS:** Okay. And then you had  
14 indicated in your testimony at least once and several  
15 times today a comparison to the rate case or the base  
16 case; correct? And you referred to, or maybe it was a  
17 previous witness, but you referred to the 120015 docket;  
18 is that correct? Is that what you -- where you're  
19 associated with the rate case?

20 **THE WITNESS:** I believe this had to do with  
21 the base -- the test case that was filed in '12 for '12  
22 and '13 that was 10 million capital and \$400,000 O&M, I  
23 believe that was. And we're asking for the incremental  
24 amount above that amount that was filed in the, in the  
25 base.

1                   **COMMISSIONER BALBIS:** In the rate case, the  
2 2012 rate case or the 2012 01 docket?

3                   **THE WITNESS:** Give me just a second.

4                   (Pause.)

5                   To be perfectly honest with you, I'm not an  
6 expert in rate testimony. I'm the technical expert  
7 here. If you could, if you could clarify the difference  
8 between the two, it will help me.

9                   **COMMISSIONER BALBIS:** Well -- sure. Well, the  
10 15 docket is the rate case that FPL filed in March  
11 2012. I believe it was March; it might have been May.  
12 And I just want to make sure that that is the rate case  
13 that you're referring to, or was it last year's fuel  
14 clause proceeding?

15                   **THE WITNESS:** The rate case was filed  
16 March 19th in the testimony by Art Stall in 2012.

17                   **COMMISSIONER BALBIS:** Okay. We never issued  
18 an order on that rate case. We approved a settlement  
19 agreement that handled that. Were you aware of that or  
20 involved with that at all?

21                   **THE WITNESS:** That approved the inclusion into  
22 the base of that amount of money?

23                   **COMMISSIONER BALBIS:** Well, we approved a  
24 settlement agreement in December 2012 and we did not  
25 issue an order on the rate case. Were you aware of

1 that?

2 **THE WITNESS:** You're, you're beyond my  
3 knowledge now, sir.

4 **COMMISSIONER BALBIS:** Okay. Is there a  
5 witness that might have knowledge of that?

6 **THE WITNESS:** Mr. Keith would have knowledge  
7 of that.

8 **COMMISSIONER BALBIS:** Okay. Thank you.

9 **CHAIRMAN BRISÉ:** Commissioners, any further  
10 questions?

11 Okay. Redirect.

12 **MR. RUBIN:** Thank you, Mr. Chairman.

13 **EXAMINATION**

14 **BY MR. RUBIN:**

15 **Q** Mr. Grissette, could you explain a term that  
16 you've used in your answers that is, quote, beyond  
17 design basis? Can you just explain what that means?

18 **A** Yes, sir. I'll do that by defining the  
19 current. Currently all U.S. nuclear plants, including  
20 the Florida plants, are designed to a certain  
21 specification. That design becomes our design basis,  
22 which provides an adequate margin for the protection  
23 should any event, whether it's seismic or flooding,  
24 occur. That is considered our design basis.

25 Beyond design basis are those events which

1 basically exceed the design basis of the plant. For  
2 example, if you're protected from flooding and your  
3 design basis protects you to ten feet above sea level,  
4 the beyond design basis may require you to protect  
5 yourself to 20 feet.

6 In the case of Fukushima, they were protected  
7 to 20 feet. The actual tsunami delivered a wave of 43  
8 feet, well beyond the design basis of that particular  
9 plant.

10 Q Thank you. Let me ask you a couple of  
11 questions about the exhibit that Public Counsel  
12 presented, Exhibit Number 102, if you still have that in  
13 front of you.

14 A Uh-huh.

15 Q Mr. McGlothlin asked you some questions about  
16 statements made in that document regarding the safety of  
17 FPL's nuclear plants; correct?

18 A That's correct.

19 Q And he specifically asked you about, about  
20 issues relating to seismic and flooding; correct?

21 A Correct.

22 Q In terms of the Fukushima event, this document  
23 that you're looking at doesn't address the changes that  
24 will come or may come from the Fukushima event; correct?

25 A That is correct.

1           **Q**     Does FPL take into account the things, the  
2 kind of information that's in Exhibit 102 when it  
3 submits its implementation plan to the Nuclear  
4 Regulatory Commission?

5                     In other words, do we -- does FPL put together  
6 its implementation plan with the understanding that it  
7 can withstand certain levels of seismic and flooding  
8 events now?

9           **A**     Yes, we do.

10           **Q**     And then the implementation plan is designed  
11 to address what the post-Fukushima results --

12                     **MR. MCGLOTHLIN:** Excuse me. I think this is  
13 leading the witness.

14                     **CHAIRMAN BRISÉ:** Yeah. If you could restate  
15 the question as a question.

16 **BY MR. RUBIN:**

17           **Q**     Can you explain in relation to what you've  
18 just described what the NRC regulations, the  
19 post-Fukushima regulations will require?

20           **A**     Yes. Just scanning through this document,  
21 this document establishes a current level of protection  
22 that the plants have against seismic and flooding. Yes,  
23 we're designed to seismic levels. Yes, we're designed  
24 to flooding.

25                     Following the post-9/11 security issues and

1 the subsequent regulation changes for wide area fires,  
2 terrorist attack, we've installed various pumps and  
3 generators to be able to mitigate that level of  
4 protection following, you know, security issues.

5 This takes us -- the NRC takes us beyond that,  
6 beyond the current design basis, beyond that which is in  
7 place as a result of security into areas that are  
8 unknown. Obviously the 43-foot tidal wave at, at  
9 Fukushima was unknown at the time. This takes us beyond  
10 that level of design and where we're going. And the  
11 regulations that have been issued, the orders that have  
12 been issued are relatively vague and nonspecific such  
13 that we're having to work through the industry to figure  
14 out what is going to be adequate, what is going to  
15 adequately satisfy the NRC. That process is going to be  
16 a continually learning process that we will grow and we  
17 will learn and we will change as we progress through  
18 this whole evolution.

19 **MR. RUBIN:** Mr. Chairman, I have one exhibit  
20 I'd like to hand out to ask just a couple more questions  
21 on redirect.

22 **CHAIRMAN BRISÉ:** Sure. For identification  
23 purposes this is going to be Exhibit 103.

24 (Exhibit 103 marked for identification.)

25 **MR. MCGLOTHLIN:** Would you like to hear my

1 objection now?

2 **CHAIRMAN BRISÉ:** Sure.

3 **MR. MCGLOTHLIN:** My objection is that this  
4 clearly goes beyond the scope of cross-examination. On  
5 redirect he is free to ask questions of the witness with  
6 respect to the exhibit I sponsored, but this goes far  
7 beyond and is not the same exhibit that was the subject  
8 of cross-examination. It's clearly a matter of scope.

9 **CHAIRMAN BRISÉ:** All right.

10 **MR. RUBIN:** Mr. Chairman, counsel, Public  
11 Counsel specifically asked and the witness specifically  
12 talked about the analogy between post-9/11 2001 security  
13 costs and the post-Fukushima costs that are at issue in  
14 this docket.

15 I have a question about one page of this  
16 document. I've only included it -- it's complete for  
17 that, for its completeness sake. But it goes directly  
18 to a question that was asked and an answer provided.

19 **CHAIRMAN BRISÉ:** If you could advise us of  
20 what page it is that you are going to --

21 **MR. MCGLOTHLIN:** That's a lot of completeness.

22 **CHAIRMAN BRISÉ:** What's that?

23 **MR. MCGLOTHLIN:** That is a lot of  
24 completeness.

25 **MR. RUBIN:** We're happy to submit just the



1 page. I just -- as a practice we would like to have the  
2 whole document. It is on page, at the beginning, near  
3 the beginning of the document, viii, and it is the  
4 fourth complete paragraph in that, on that page. It  
5 begins with, "The Task Force notes."

6 **MR. MCGLOTHLIN:** That paragraph does not  
7 appear in any exhibit that I sponsored and therefore is  
8 beyond the scope of cross-examination.

9 **CHAIRMAN BRISÉ:** Okay. I'm going to ask Mary  
10 Anne.

11 **MS. HELTON:** Mr. Chairman, I'm still trying to  
12 find the paragraph that Mr. Rubin referred us to. I'm  
13 sorry. On page -- okay. I had my Roman numerals off.

14 **MR. MCGLOTHLIN:** The point is this: FPL had  
15 every opportunity and occasion to include this in their  
16 direct case if they wanted to. They're limited on  
17 cross -- on redirect to questions related to my  
18 cross-examination. My questions on cross-examination  
19 were, were limited to Exhibit 102. The paragraph to  
20 which he refers in this multipage document has nothing  
21 to do with 102.

22 **MS. HELTON:** I agree with Mr. McGlothlin,  
23 Mr. Chairman.

24 **CHAIRMAN BRISÉ:** Okay. Thank you. So we are  
25 going to follow the advice of our attorney there and

1 this exhibit will not be introduced.

2 **BY MR. RUBIN:**

3 **Q** Mr. Grissette, has the NRC analogized the  
4 post-Fukushima costs to the post-9/11 costs?

5 **A** Yes. Following the, the event in March of  
6 2011, the industry put together a task force, the  
7 Near-Term Task Force, to evaluate the changes that are  
8 going to be required as a result --

9 **MR. McGLOTHLIN:** Same objection. The question  
10 and answer are a backdoor effort to get the same  
11 information in. My objection to that information was  
12 sustained.

13 **MR. RUBIN:** The objection to the document was  
14 sustained, but the information is directly relevant to  
15 the question that Mr. McGlothlin asked.

16 **MR. McGLOTHLIN:** I don't recall asking whether  
17 there was any analogy made between the costs. I asked,  
18 I asked the witness whether he was asserting any  
19 testimony that FPL was exposed to the Fukushima-type  
20 incident. He said, "No." This, this question does not  
21 relate to that. It's beyond the scope.

22 **CHAIRMAN BRISÉ:** Can you repeat the question  
23 so I can hear it again?

24 **MR. RUBIN:** Sure. The question was has the  
25 NRC analogized the post-Fukushima response, which

1 includes costs, to the post-9/11 response?

2 **MR. MCGLOTHLIN:** Beyond the scope.

3 **CHAIRMAN BRISÉ:** Yeah. I think I'd agree  
4 with, with OPC on this.

5 **BY MR. RUBIN:**

6 **Q** Okay. One last question, Mr. Grissette.

7 Does FPL have any discretion as to whether it  
8 complies with the NRC post-Fukushima regulations?

9 **A** None whatsoever.

10 **MR. RUBIN:** Thank you, sir.

11 I have no other questions.

12 **CHAIRMAN BRISÉ:** I'm going to indulge one of  
13 my fellow Commissioners here who has a question. I'll  
14 give you an opportunity to redirect after the  
15 Commissioner has asked her question.

16 **COMMISSIONER BROWN:** Thank you for your  
17 generosity, Mr. Chairman.

18 Mr. Grissette, you responded just recently to  
19 a question that triggered a thought of mine that I have  
20 a question for you.

21 Other than hearing back from the NRC regarding  
22 FPL's implementation plan, how does FPL plan on getting  
23 the NRC to specifically define criteria or parameters to  
24 implement?

25 **THE WITNESS:** The process will work -- the

1 industry has worked together to develop what we consider  
2 a common approach for the various sites and then made it  
3 specific to our particular sites. The NRC has been  
4 submitted -- they've received our plans. They're in the  
5 process of evaluating those plans now. They will be  
6 providing additional questions and suggested changes and  
7 all over the course of the next several months.

8 In March of 2014 we anticipate their response,  
9 which at that time they will issue a safety evaluation  
10 which describes specifically our implementation plan and  
11 any additional requirements that they may place upon us  
12 to be able to comply with that order. That will be the,  
13 the end of this particular submittal and their position  
14 on, on, on what we're going to do to mitigate those  
15 limited immediate actions required.

16 **COMMISSIONER BROWN:** Okay. Do you anticipate  
17 the proposed deadlines being extended even further?

18 **THE WITNESS:** The NRC has made it clear that  
19 the immediate recommendations will be implemented in  
20 2016 -- in 2015 and 2016. They do understand that the  
21 seismic evaluation process, the reevaluation process may  
22 result in significant and far-reaching changes to the  
23 seismic design and reinforcement of the various plants.  
24 They see that as going into 2020.

25 The short-term and long-term may be well

1 beyond that. You know, the content of the short-term  
2 requirements and the long-term requirements have not  
3 been formulated and certainly the dates have not  
4 followed that either. So it can certainly go beyond  
5 2017, 2020.

6 **COMMISSIONER BROWN:** Thank you.

7 **CHAIRMAN BRISÉ:** Redirect.

8 **MR. RUBIN:** No other questions.

9 **CHAIRMAN BRISÉ:** All right. Thank you.

10 Let's deal with exhibits.

11 **MR. MCGLOTHLIN:** OPC moves 102.

12 **CHAIRMAN BRISÉ:** All right. Is there any  
13 objection to 102?

14 **MR. RUBIN:** No objection.

15 **CHAIRMAN BRISÉ:** All right. Seeing no  
16 objections to 102, 102 is moved into the record.

17 (Exhibit 102 admitted into the record.)

18 Do you have any other exhibits you would like  
19 to move?

20 **MR. RUBIN:** We have no other exhibits.

21 **CHAIRMAN BRISÉ:** Okay.

22 **MR. RUBIN:** May Mr. Grissette be excused?

23 **CHAIRMAN BRISÉ:** Sure. Mr. Grissette, you are  
24 excused.

25 **THE WITNESS:** Thank you.

1           **CHAIRMAN BRISÉ:** FPL, call your next witness.

2           **MR. BUTLER:** Thank you. Yes. We would call  
3 Mr. Rote, and Mr. Rote has been previously sworn.

4                           **CHARLES ROTE**

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

7                           **EXAMINATION**

8 **BY MR. BUTLER:**

9           **Q** Mr. Rote, would you please state your name and  
10 business address for the record.

11           **A** My name is Charles Rote. Business address is  
12 700 Universe Boulevard, Juno Beach, Florida 33408.

13           **Q** By whom are you employed and in what capacity?

14           **A** I'm employed by Florida Power & Light, and I  
15 am the Business Services Manager of the Power Generation  
16 Division.

17           **Q** Do you have before you a copy of the prefiled  
18 direct testimony of J. Carine Bullock filed May 13, 2003  
19 [sic], consisting of 12 pages of prepared testimony?

20           **A** Filed as of May 2013, yes, sir, I do.

21           **Q** If I didn't say that, my apology. May 13,  
22 2013.

23                           Are you familiar with Ms. Bullock's testimony?

24           **A** Yes, sir.

25           **Q** Do you adopt her testimony as your own in this

1 proceeding?

2 **A** I do.

3 **Q** Did you also prepare and cause to be filed  
4 nine pages of prefiled testimony on August 30, 2013, in  
5 this proceeding?

6 **A** I did.

7 **Q** Okay. Do you have any changes or revisions to  
8 either Ms. Bullock's or your prefiled testimonies?

9 **A** I do not.

10 **Q** Okay. If I asked you the questions contained  
11 in Ms. Bullock's and your testimonies, would your  
12 answers be the same today?

13 **A** They would.

14 **MR. BUTLER:** Okay. Mr. Chairman, I'd ask that  
15 Ms. Bullock's and Mr. Rote's prefiled direct testimonies  
16 be inserted into the record as though read.

17 **CHAIRMAN BRISÉ:** All right. At this time we  
18 will move Mr. Rote's and Ms. Bullock's testimony into  
19 the record as though read, seeing no objections. Okay.

20 **BY MR. BUTLER:**

21 **Q** And Mr. Rote, are you sponsoring Exhibit  
22 JCB-1 to Ms. Bullock's testimony and Exhibit CRR-1 to  
23 your direct testimony?

24 **A** I am.

25 **MR. BUTLER:** Okay. Mr. Chairman, I'd note

1 that those have been premarked on staff's Comprehensive  
2 Exhibit List for identification as 19 and 20.

3 **CHAIRMAN BRISÉ:** Yes.  
4  
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1                   **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2                   **FLORIDA POWER & LIGHT COMPANY**

3                   **TESTIMONY OF J. CARINE BULLOCK**

4                   **DOCKET NO. 130001-EI**

5                   **MAY 13, 2013**

6

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

8    A.    My name is J. Carine Bullock, and my business address is 700 Universe  
9            Boulevard, Juno Beach, Florida 33408.

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

11 A.    I am employed by Florida Power & Light Company ("FPL") and I am the  
12 Vice President of Production Assurance and Business Services in the Power  
13 Generation Division of FPL, where I am responsible for providing production  
14 process standardization and commercial support for FPL's fossil generating  
15 assets.

16 **Q.    Have you previously testified in predecessors to this docket?**

17 A.    Yes, I have.

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

19 A.    The purpose of my testimony is to report actual 2012 performance for  
20 Equivalent Availability Factor (EAF) and Average Net Operating Heat Rate  
21 (ANOHR) for the ten generating units used to determine the Generating  
22 Performance Incentive Factor (GPIF). In addition, I will explain adjustments  
23 that FPL proposes to the heat rate, net output factor (NOF) and Forced Outage

1 Factor (FOF) of St. Lucie 1 (PSL1), St. Lucie 2 (PSL2) and Turkey Point 3  
2 (PTN3) to address the impact on their operation resulting from the Extended  
3 Power Upgrades (EPU). I have compared the performance of each unit to the  
4 targets approved in Commission Order No. PSC-11-0579-FOF-EI issued  
5 December 16, 2011, for the period January through December 2012, and  
6 performed the reward/penalty calculations prescribed by the GPIF Manual.  
7 My testimony presents the result of these calculations: \$46,363,302 of fuel  
8 savings to FPL's customers as a result of the availability and efficiency of  
9 FPL's GPIF generating units, and a GPIF reward of \$20,679,970 that reflects  
10 FPL's proposed adjustment to PSL1, PSL2 and PTN3 heat rates, NOFs and  
11 FOFs.

12 **Q. Have you prepared, or caused to have prepared under your direction,**  
13 **supervision, or control any exhibits in this proceeding?**

14 A. Yes. Exhibit JCB-1 shows the reward/penalty calculations. Page 1 of Exhibit  
15 JCB-1 is an index to the contents of the exhibit.

16 **Q. Please explain how the total GPIF reward/penalty amount was calculated**  
17 **in general terms.**

18 A. The steps involved in making this calculation are provided in Exhibit JCB-1.  
19 Page 2 provides the GPIF Reward/Penalty Table (Actual), which shows an  
20 overall GPIF performance point value of +4.46, \$46,363,302 in fuel savings  
21 and an adjusted GPIF reward of \$20,679,970. Page 3 provides the calculation  
22 of the maximum allowed incentive dollars. The calculation of the system  
23 actual GPIF performance points is shown on page 4. This page lists each

1 GPIF unit, the unit's performance indicators (EAF and ANOHR), the  
2 weighting factors, and the associated GPIF points.

3  
4 Page 5 is the actual EAF and adjustments summary. This page, in columns 1  
5 through 5, lists each of the ten GPIF units, the actual outage factors and the  
6 actual EAF for the fossil units and Turkey Point 4 (PTN4) and the proposed  
7 adjustment to actual FOF for PSL1, PSL2 and PTN3 that is explained later in  
8 my testimony. Column 6 is the adjustment for planned outage variation.  
9 Column 7 is the adjusted actual EAF, which is calculated on page 6. Column  
10 8 is the target EAF. Column 9 contains the Generating Performance Incentive  
11 Points for availability as determined by interpolating from the tables shown on  
12 pages 8 through 17. These tables are based on the targets and target ranges  
13 submitted to, and approved by, the Commission.

14  
15 Continuing with Exhibit JCB-1, Page 7 shows the adjustments to ANOHR.  
16 For each of the ten units, it shows, in columns 2 through 4, the target heat rate  
17 formula, the actual NOF and ANOHR for the fossil units and Turkey Point 4  
18 and the proposed modification to actual NOF and ANOHR for PSL1, PSL2  
19 and PTN3 that is explained later in my testimony. Since heat rate varies with  
20 NOF, it is necessary to determine both the target and actual heat rates at the  
21 same NOF. This adjustment provides a common basis for comparison  
22 purposes and is shown numerically for each GPIF unit in columns 5 through  
23 8. Column 9 contains the Generating Performance Incentive Points as

1 determined by interpolating from the tables shown on pages 8 through 17.  
2 These tables are based on the targets and target ranges submitted to, and  
3 approved by, the Commission.

4 **Q. Please explain the primary reason or reasons why FPL will receive a**  
5 **reward under the GPIF for the January through December 2012 period.**

6 A. The primary reason that FPL will receive a reward for the period was that  
7 adjusted actual EAFs for St. Lucie 1 and 2, Turkey Point 3 and 4, and five of  
8 the fossil units were each better than target.

9 **Q. Please summarize each nuclear unit's performance as it relates to the**  
10 **EAF of the units.**

11 A. St. Lucie Unit 1 operated at an adjusted actual EAF of 72.5%, compared to its  
12 target of 68.7%. This results in a +10.0 point reward, which corresponds to a  
13 GPIF reward of \$4,420,026.

14  
15 St. Lucie Unit 2 operated at an adjusted actual EAF of 66.9%, compared to its  
16 target of 60.1%. This results in a +10.0 point reward, which corresponds to a  
17 GPIF reward of \$2,467,423.

18  
19 Turkey Point Unit 3 operated at an adjusted actual EAF of 55.0% compared to  
20 its target of 49.9%. This results in a +10.0 point reward, which corresponds to  
21 a GPIF reward of \$2,796,722.

22

1 Turkey Point Unit 4 operated at an adjusted actual EAF of 84.4% compared to  
2 its target of 78.0%. This results in a +10.0 point reward, which corresponds to  
3 a GPIF reward of \$3,506,337.

4

5 In total, the combined nuclear units' EAF performance results in a net GPIF  
6 reward of \$13,190,508.

7 **Q. Please summarize each nuclear unit performance as it relates to the**  
8 **ANOHR of the units.**

9 A. By utilizing the three-year average for ANOHR and NOF that is explained  
10 later in my testimony, the St. Lucie Unit 1 adjusted actual ANOHR results in  
11 10,705 Btu/kWh compared to its target of 10,771 Btu/kWh. This ANOHR is  
12 within the  $\pm 75$  Btu/kWh dead band around the projected target; therefore,  
13 there is no GPIF reward or penalty.

14

15 By utilizing the three-year average for ANOHR and NOF, the St. Lucie Unit  
16 2 adjusted actual ANOHR results in 10,643 Btu/kWh compared to its target of  
17 10,724 Btu/kWh. This results in a +1.32 point reward, which corresponds to a  
18 GPIF reward of \$120,588.

19

20 By utilizing the three-year average for ANOHR and NOF, the Turkey Point  
21 Unit 3 adjusted actual ANOHR results in 10,797 Btu/kWh compared to its  
22 target of 10,875 Btu/kWh. This results in a +0.46 point reward, which  
23 corresponds to a GPIF reward of \$53,801.

1

2 The Turkey Point Unit 4 adjusted actual ANOHR is 11,304 Btu/kWh  
3 compared to its target of 11,263 Btu/kWh. This ANOHR is within the  $\pm 75$   
4 Btu/kWh dead band around the projected target; therefore, there is no GPIF  
5 reward or penalty.

6

7 In total, the combined nuclear units' heat rate performance results in a GPIF  
8 reward of \$174,389 when FPL's proposed modification to reflect the three-  
9 year average for ANOHR and NOF is used.

10 **Q. What is the total GPIF reward for FPL's nuclear units?**

11 A. \$13,364,897.

12 **Q. Please summarize the performance of FPL's fossil units.**

13 A. Regarding EAF performance, five of the six fossil generating units performed  
14 better than their availability targets resulting in a reward of \$6,527,075 while  
15 the remaining unit performed worse than its availability target resulting in a  
16 penalty of \$264,367. Thus, the combined fossil units' availability performance  
17 results in a net GPIF reward of \$6,262,708.

18

19 Regarding ANOHR, one out of the six fossil units (Martin 8) operated with an  
20 ANOHR that was below the  $\pm 75$  Btu/kWh dead band, resulting in a reward.  
21 However, the low actual ANOHR is due in part to the energy input from  
22 Martin Solar. In contrast, the ANOHR target is based on three years of Martin  
23 8 operations before the solar energy input was as substantial as it was in 2012

1 and is today. Accordingly, FPL has adjusted the Martin 8 ANOHR to exclude  
2 the effect of Martin Solar energy input, so that it is more directly comparable  
3 to the operations during the target-setting period. With this adjustment, the  
4 Martin 8 reward is \$1,052,365, reflecting a reduction of more than \$2.2  
5 million. Once there have been three years of Martin 8 operations with  
6 substantial solar input, this type of adjustment will no longer be needed. The  
7 remaining five fossil units operated with ANOHRs that were within the  $\pm 75$   
8 Btu/kWh dead band and so received no incentive reward or penalty. Thus, the  
9 combined fossil units' heat rate performance results in a net GPIF reward of  
10 \$1,052,365.

11 **Q. What is the total GPIF reward/penalty for FPL's fossil units?**

12 A. The net GPIF availability performance reward of \$6,262,708 plus the net  
13 GPIF heat rate performance reward of \$1,052,365 results in a total GPIF  
14 reward for FPL's fossil units of \$7,315,073.

15 **Q. To recap, what is the total GPIF result for the period January through**  
16 **December 2012?**

17 A. The total GPIF result for the period January through December 2012 is  
18 \$46,363,302 of fuel savings to FPL's customers as a result of the availability  
19 and efficiency of FPL's GPIF generating units, and a GPIF reward of  
20 \$20,679,970.

21 **Q. Is FPL proposing an adjustment to the reward/penalty calculations for**  
22 **PSL1, PSL2 and PTN3?**

1 A. Yes. FPL believes that this adjustment is reasonable and appropriate in order  
2 to address a statistical anomaly that I will discuss below. The effect of the  
3 adjustment is to lower the 2012 GPIF heat rate reward for PSL1, PSL2 and  
4 PTN3.

5 **Q. Please explain the reason for FPL's proposed adjustment.**

6 A. In order to explain the adjustment, it will be useful first to briefly describe  
7 how achieved heat rates are compared to target heat rates for the purpose of  
8 determining GPIF rewards or penalties.

9  
10 Because the achievable heat rate for a generating unit is dependent in part on  
11 the NOF at which the unit is operating (i.e., generally, operation at full load is  
12 more efficient than operation at partial load), the GPIF methodology provides  
13 for adjustments to the ANOHR of the GPIF units once the actual heat rate and  
14 net output factor are known at the end of the projection period. (Page 4.214,  
15 Paragraph 2.3.7 of the GPIF manual). This adjustment is made based on a  
16 curve that correlates expected ANOHR with NOF based on regression  
17 analysis. While the details of the calculation are complex, the effect of the  
18 adjustment is to express the actual ANOHR and the target ANOHR at the  
19 same NOF, so that the reward/penalty determination will properly reflect the  
20 utility's success in operating the units efficiently rather than simply the  
21 differences in efficiency due to the actual NOF being different than what was  
22 projected at the time the targets were set.

23



1 Normally, regression analysis is an appropriate and effective basis for  
2 developing the correlation curves between ANOHR and NOF, because the  
3 actual NOF falls within or at least very close to the range of NOF values from  
4 which the regression equations are determined. However, due to the number  
5 and duration of periods when PSL1, PSL2 and PTN3 were operated at partial  
6 load for testing purposes as a result of the EPU, the 2012 actual NOFs were  
7 considerably lower than normal for those three units. These NOFs fall well  
8 outside the range of the NOFs from which the regression equations were  
9 calculated and consequently do not provide a statistically valid basis for  
10 adjusting the actual ANOHR as prescribed by the GPIF methodology. The  
11 Turkey Point 4 (PTN4) ANOHR and NOF were not significantly affected by  
12 the EPU since this outage did not start until late in the year and the unit stayed  
13 off-line for EPU work for the remainder of 2012. Hence, the unit did not  
14 operate at a reduced NOF for testing purposes in 2012 as was the case for the  
15 other three nuclear units, and therefore no adjustment was necessary to the  
16 ANOHR and NOF of this unit.

17 **Q. How does FPL propose to perform the GPIF ANOHR reward/penalty**  
18 **calculations for PSL1, PSL2 and PTN3 in the absence of statistically valid**  
19 **correlation curves?**

20 **A.** FPL calculated the three-year average (2009-2011) for ANOHR and NOF for  
21 PSL1, PSL2 and PTN3 and used those values as a proxy to represent their  
22 2012 performance. A three-year time frame was chosen since it is consistent  
23 with the time frame used in developing GPIF heat rate targets. FPL believes

1 this is a reasonable approach in the absence of a reliable basis for performing  
2 the calculation using actual 2012 performance.

3 **Q. What is the impact on the total reward amount of using the three-year  
4 actual ANOHR and NOF performance for these nuclear units?**

5 **A.** FPL's proposed adjustment reduces the 2012 GPIF reward by \$2.9 million.

6 **Q. Did FPL also make an adjustment to the availability (EAF)  
7 reward/penalty calculations for PSL1, PSL2 and PTN3 to reflect the  
8 impact of the EPU's?**

9 **A.** Yes. The GPIF reward/penalty calculation for availability does not have a  
10 direct counterpart to the need to correlate ANOHR and NOF in the GPIF  
11 reward/penalty calculation for heat rate. Therefore, there is no regression  
12 equation and no concern about statistical validity. Nonetheless, FPL closely  
13 scrutinized the manner in which EAF is calculated to determine whether any  
14 form of adjustment for the impact of the EPU outages would be warranted.  
15 FPL focused on whether the forced outage factors (FOFs) and maintenance  
16 outage factors (MOFs) that are used in determining EAF for the nuclear units  
17 might be unrepresentatively low as a result of the EPU outages, which would  
18 tend to increase the calculated reward. The reason for this focus is that FOF  
19 and MOF reflect, respectively, the number of forced outage hours and  
20 maintenance outage hours during the year, divided by the total number of  
21 hours in the year (8,784 hours in 2012). Because PSL1, PSL2 and PTN3 were  
22 out of service for extended periods in 2012 due to the EPU's and would have  
23 had no opportunity for either forced or maintenance outages during those

1 periods, FPL was concerned that using the full 8,784 hours as the denominator  
2 might result in calculated FOFs and MOFs that were lower than what one  
3 would reasonably expect if the units had operated throughout the year. As  
4 noted earlier, PTN4 was offline for its EPU outage during only a small portion  
5 of 2012 and hence the denominators in the FOF and MOF calculations would  
6 not be significantly affected.

7  
8 FPL recalculated the FOFs for PSL1, PSL2 and PTN3 using the actual  
9 number of hours that each unit was available to be in service (i.e., net of the  
10 EPU outage hours). This re-calculation resulted in modest increases in the  
11 FOFs for PSL1, PSL2 and PTN3. The MOFs for these units were zero, so  
12 they were unaffected by the re-calculation (i.e., because the numerators were  
13 zero, reducing the denominators could not affect the resulting factors). I  
14 should point out that the FOF and MOF for PTN4 were both zero and likewise  
15 would have been unaffected by an adjustment to their denominators.

16  
17 The increased FOFs for PSL1, PSL2 and PTN3 did not affect the reward  
18 calculation, because each of those nuclear units received the maximum  
19 allowed EAF reward with or without the increases. Rather, what this exercise  
20 confirmed was that the nuclear units had excellent reliability performance in  
21 2012 before and after the EPUs. It is very common that the initial period of  
22 operation following extensive modifications to a nuclear unit (or any piece of  
23 complex equipment) will entail a series of minor outages to address "infant

1 mortality” issues on the new equipment. Such outages would increase the  
2 FOF and/or MOF for the unit. Instead, the performance of these nuclear units  
3 in 2012 after they returned from the EPU outages was strong, notwithstanding  
4 the extensive, unprecedented scope of the EPU work that was performed.  
5 Under these circumstances, the GPIF reward for nuclear unit availability is  
6 well deserved.

7 **Q. Does this conclude your testimony?**

8 **A. Yes.**

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**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**  
**FLORIDA POWER & LIGHT COMPANY**  
**TESTIMONY OF CHARLES R. ROTE**  
**DOCKET NO. 130001-EI**  
**AUGUST 30, 2013**

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

A. My name is Charles R. Rote, and my business address is 700 Universe Boulevard, Juno Beach, Florida 33408.

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

A. I am employed by Florida Power & Light Company (“FPL”) and I am the Business Services Manager in the Power Generation Division of FPL, where I am responsible for budgeting, forecasting, regulatory reporting and financial internal controls for FPL’s fossil generating assets.

**Q. Please describe your educational background.**

A. I received a Bachelor of Arts degree in 1991 from DePauw University in Indiana. I also received a Master’s of Business Administration in 1994 with a concentration in Accounting from Pace University in New York where I also became a Certified Public Accountant (CPA).

**Q. Please briefly summarize your work experience at FPL.**

A. I have held my current position at FPL for approximately five years. During that time, I have supported two rate case filings, an SAP (Systems Applications and Products) enterprise software implementation to standardize information

1 collection, analysis and reporting, along with other initiatives to improve cost and  
2 reliability performance of FPL's fossil fleet.

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

4 A. My testimony has three purposes. First, I present FPL's generating unit  
5 equivalent availability factor (EAF) targets and average net operating heat rate  
6 (ANOHR) targets used in determining the Generating Performance Incentive  
7 Factor (GPIF) for the period January through December, 2014. Second, I address  
8 the two additional issues about the GPIF program that Staff has raised in this  
9 Docket. Finally, I adopt the prepared testimony and exhibit of FPL witness J.  
10 Carine Bullock entitled "Generating Performance Incentive Factor, Performance  
11 Results for January through December 2012," as filed on March 15, 2013 and  
12 revised on May 13, 2013.

13

14 **I. 2014 EAF AND ANOHR GPIF TARGET DEVELOPMENT**

15

16 **Q. Have you prepared, or caused to have prepared under your direction,**  
17 **supervision, or control, an exhibit in this proceeding?**

18 A. Yes, I am sponsoring Exhibit CRR-1. This exhibit supports the development of  
19 the 2014 GPIF targets (EAF and ANOHR). The first page of this exhibit is an  
20 index to the contents of the exhibit. All other pages are numbered according to  
21 the GPIF Manual as approved by the Commission.

22 **Q. Please summarize the 2014 system targets for EAF and ANOHR for the units**  
23 **to be considered in establishing the GPIF for FPL.**

1 A. For the period of January through December, 2014, FPL projects a weighted  
2 system equivalent planned outage factor of 6.5% and a weighted system  
3 equivalent unplanned outage factor of 8.0%, which yield a weighted system  
4 equivalent availability target of 85.5%. The targets for this period reflect planned  
5 refuelings for St. Lucie Unit 2, Turkey Point Unit 3 and Turkey Point Unit 4.  
6 FPL also projects a weighted system ANOHR target of 8,976 Btu/kWh for the  
7 period January through December, 2014. As discussed later in my testimony,  
8 these targets represent fair and reasonable values. Therefore, FPL requests that  
9 the targets for these performance indicators be approved by the Commission.

10 **Q. Have you established individual target levels of performance for the units to**  
11 **be considered in establishing the GPIF for FPL?**

12 A. Yes, I have. Exhibit CRR-1, pages 6 and 7, contains the information  
13 summarizing the targets and ranges for EAF and ANOHR for the ten generating  
14 units that FPL proposes to be considered as GPIF units for the period January  
15 through December, 2014. All of these targets have been derived utilizing the  
16 accepted methodologies adopted in the GPIF Manual.

17 **Q. Please summarize FPL's methodology for determining equivalent availability**  
18 **targets.**

19 A. The GPIF Manual requires that the EAF target for each unit be determined as the  
20 difference between 100% and the sum of the equivalent planned outage factor  
21 (EPOF) and the equivalent unplanned outage factor (EUOF). The EPOF for each  
22 unit is determined by the length of the planned outage, if any, scheduled for the  
23 projected period. The EUOF is determined by the sum of the historical average

1 equivalent forced outage factor (EFOF) and the equivalent maintenance outage  
2 factor (EMOF). The EUOF is then adjusted to reflect recent or projected unit  
3 overhauls following the projection period.

4 **Q. Please summarize FPL's methodology for determining ANOHR targets.**

5 A. To develop the ANOHR targets, historic ANOHR vs. unit net output factor curves  
6 are developed for each GPIF unit. The historic data is analyzed for any unusual  
7 operating conditions and changes in equipment that affect the predicted heat rate.  
8 A regression equation is calculated and a statistical analysis of the historic  
9 ANOHR variance with respect to the best fit curve is also performed to identify  
10 unusual observations. The resulting equation is used to project ANOHR for the  
11 unit using the net output factor from the production costing simulation program,  
12 POWERSYM. This projected ANOHR value is then used in the GPIF tables and  
13 in the calculations to determine the possible fuel savings or losses due to  
14 improvements or degradations in heat rate performance. This process is  
15 consistent with the GPIF Manual.

16 **Q. How did you select the units to be considered when establishing the GPIF for**  
17 **FPL?**

18 A. In accordance with the GPIF Manual, the GPIF units selected represent no less  
19 than 80% of the estimated system net generation. The estimated net generation  
20 for each unit is taken from the POWRSYM model, which forms the basis for the  
21 projected levelized fuel cost recovery factor for the period. In this case, the ten  
22 units which FPL proposes to use for the period January through December, 2014  
23 represent the top 81.1% of the total forecasted system net generation for this



1 period excluding the West County Energy Center Unit 3 and Cape Canaveral  
2 Energy Center. These units came into service in 2011 and 2013, respectively, and  
3 were excluded from the GPIF calculation because there is insufficient historical  
4 data to include them. For the same reason, the modernized unit at Riviera Energy  
5 Center, which is expected to be in commercial operation in June, 2014, was  
6 excluded from the GPIF calculations. Consistent with the GPIF Manual, these  
7 units will be considered in the GPIF calculations once FPL has enough operating  
8 history to use in projecting future performance.

9 **Q. Do FPL's 2014 EAF and ANOHR performance targets represent reasonable**  
10 **level of generation availability and efficiency?**

11 A. Yes, they do.

## 13 II. ADDITIONAL GPIF ISSUES

14  
15 **Q. Does FPL believe that the GPIF mechanism should be retained in**  
16 **substantially its current form?**

17 A. Yes. The GPIF methodology was formulated carefully and has operated  
18 effectively over the years to incent GPIF-qualified utilities to continually strive  
19 for the efficient operation of base load generating units. The order adopting the  
20 GPIF methodology (Order No. 9558 issued September 19, 1980 in Docket No.  
21 800400-CI) recognized that many proposals for providing incentives had been  
22 brought forward by the parties to the proceeding and were used by the  
23 Commission Staff to develop its own recommendation. After considering the

1 various proposals that were submitted as well as the Staff recommendation, the  
2 Commission concluded:

3 . . . In fact, the final Staff recommendation has, in our opinion,  
4 selected the best elements of those proposals. . . ,

5 \* \* \*

6 We find and conclude that the GPIF plan encompassed with the  
7 Staff's final recommendation is consistent with the evidence received  
8 during this proceeding, represents the best elements of the ideas  
9 advanced by the parties, and provides the promise of fulfilling our  
10 objective of an explicit incentive in the area of operating  
11 efficiency. . . .

12 (Order at pages 2-3). The Staff recommendation that the Commission approved  
13 is the same GPIF mechanism that is in effect today.

14 **Q. Please explain why FPL believes that the GPIF mechanism is working**  
15 **effectively and should be retained.**

16 A. FPL believes that the current GPIF mechanism, as approved by the Commission,  
17 has worked as intended by providing an on-going incentive for the efficient  
18 operation of base load generating units. The current GPIF mechanism  
19 accomplishes its objective by setting reasonable targets and performance ranges,  
20 and equitable rewards and penalties. Targets are set based on recent past  
21 experience, providing utilities with a constant and realistic incentive to improve.  
22 Rewards and penalties are calculated using an even-handed, symmetric  
23 methodology that provides meaningful incentives while ensuring that customers

1 will retain a substantial share of any fuel savings that result from performance that  
2 is better than target. For example, over the period 2005-2012 FPL customers  
3 received fuel savings (net of GPIF rewards) of about \$222 million.

4 **Q. Has the Commission reviewed the effectiveness of the GPIF mechanism**  
5 **previously?**

6 A. Yes. In the 2006 fuel adjustment clause docket (No. 060001-EI), the Office of  
7 Public Counsel (OPC) filed testimony and exhibits questioning the effectiveness  
8 of the current GPIF mechanism and proposing changes to the mechanism. FPL  
9 and the other GPIF utilities filed responsive testimony and exhibits that presented  
10 in-depth analyses of the GPIF mechanism's performance as well as critiques of  
11 OPC's proposed changes. After thorough review and careful consideration of all  
12 the evidence, the Commission concluded that:

13 ...the purpose for the GPIF mechanism, as established by Order  
14 No. 9558, is being achieved....We decline to amend our prior  
15 order because we believe that the GPIF mechanism is working as  
16 we intended. It measures how the utilities carry out their obligation  
17 to prudently operate their generating units, which results in  
18 appropriate rewards and penalties under the existing mechanism  
19 and results in fuel savings.

20 Order No. PSC-06-1069-FOF-E1, issued December 27, 2006 in Docket No.  
21 060001-EI, at page 5.

22

1 In the years since the 2006 review, Staff has continued to monitor and evaluate  
2 the performance of the GPIF mechanism through the discovery process. Most  
3 recently, FPL and the other GPIF utilities have responded in this year's docket to  
4 extensive discovery from Staff regarding GPIF performance and the manner in  
5 which the GPIF mechanism operates. The information provided through  
6 discovery affirms that the current GPIF process continues to work as intended by  
7 the Commission and continues to provide substantial benefits to the customers.  
8 Moreover, nothing has changed since 2006 that would make the modifications to  
9 the GPIF mechanism that OPC proposed in 2006 any less inappropriate.

10 **Q. Does the Incentive Mechanism provided in Paragraph 12 of the Stipulation**  
11 **and Settlement approved in Docket No. 120015-EI overlap with the GPIF?**

12 A. It does not. Rather, the Incentive Mechanism *complements* the GPIF program, by  
13 adding incentives in areas that are not addressed by the GPIF. The GPIF is  
14 limited to providing an incentive for the efficient operation of FPL's base load  
15 generating units. In contrast, the Incentive Mechanism encourages FPL to create  
16 additional value for FPL customers from short-term wholesale sales, short-term  
17 wholesale purchases and asset optimization activities such as selling excess gas  
18 transportation capacity and or electric transmission capacity when it is not needed  
19 to serve FPL's native load. Such opportunities to create additional value for  
20 customers primarily result from factors such as the price relationship among  
21 different fuel types, the level of load that FPL and potential counterparties must  
22 serve, the types of generating units that FPL and the potential counterparties

1 operate, etc. The only similarity between the two programs is that both, albeit in  
2 distinct ways, incent FPL to provide significant benefits to FPL customers.

3 **Q. Does FPL believe that any modifications to the GPIF mechanism would be**  
4 **appropriate?**

5 A. As stated earlier, FPL believes that the GPIF mechanism is working well in its  
6 current form. Nonetheless, FPL would not object to the proposal that Staff raised  
7 in discovery that would set the maximum allowed incentive dollars at 50 percent  
8 of the maximum attainable fuel savings. This would make it clearer that  
9 customers will always receive at least as much in fuel savings as the utility could  
10 receive in rewards.

11 **Q. Do you adopt the testimony and exhibit of FPL witness J. Carine Bullock**  
12 **entitled “Generating Performance Incentive Factor, Performance Results for**  
13 **January through December 2012” as your own?**

14 A. Yes, I do.

15 **Q. Does this conclude your testimony?**

16 A. Yes, it does.

1 **BY MR. BUTLER:**

2 **Q** With that, I'd ask Mr. Rote to provide your  
3 oral summary.

4 **A** Will do.

5 Good afternoon, Commissioners. Thank you for  
6 the opportunity to testify before you today. My name is  
7 Charles Rote, and I am the Business Services Manager in  
8 the Power Generation Division of FPL.

9 The purpose of my testimony is two-fold.  
10 First, I adopt the prepared testimony and exhibit of FPL  
11 witness J. Carine Bullock filed on May 13th, 2013, which  
12 reports the 2012 actual performance for the equivalent  
13 availability factor, or EAF, and average net operating  
14 heat rate, ANOHR, for the ten generating units used to  
15 determine FPL's generating performance incentive factor  
16 for the period of January through December 2012.

17 The combined EAF and heat rate performance of  
18 these ten units resulted in over \$46 million in fuel  
19 cost savings to FPL customers in 2012. This testimony  
20 presents the result of these calculations.

21 Second, my testimony and exhibit filed  
22 August 30th, 2013, present the EAF and ANOHR targets for  
23 the ten generating units which FPL proposes to be  
24 considered as GPIF units for the period January through  
25 December 2014. For this period FPL projects a weighted

1 system EAF target of 85.5%. FPL also projects a  
2 weighted system ANOHR of 8,976 Btu per kilowatt hour for  
3 the same period. The targets for this period reflect  
4 planned refueling outages for St. Lucie Unit 2 and  
5 Turkey Point Units 3 and 4.

6 As discussed in my testimony, these targets  
7 represent fair and reasonable values and were calculated  
8 as prescribed by the Commission's approved GPIF  
9 methodology.

10 My testimony explains that the GPIF mechanism  
11 effectively accomplishes its objectives of setting  
12 reasonable targets and performance ranges, as well as  
13 equitable rewards and penalties. While the GPIF is  
14 working well, my testimony states that FPL nonetheless  
15 would not object to setting maximum rewards and  
16 penalties at 50% of maximum fuel savings as the parties  
17 have stipulated in Issue 18A.

18 Finally, my testimony clarifies that the GPIF  
19 does not overlap the incentive mechanism that was  
20 approved as part of FPL's 2012 rate case settlement, but  
21 rather complements that mechanism. Whereas the GPIF is  
22 limited to providing incentives for the efficient  
23 operation of base loaded generating units, the incentive  
24 mechanism addresses a whole array of different ways that  
25 FPL can create value for customers, including short-term

1 wholesale power purchases and sales, as well as asset  
2 optimization activities such as selling excess gas,  
3 transportation capacity, or electric transmission  
4 capacity in periods when this capacity is not needed to  
5 serve FPL's native load. The only similarity is that  
6 both mechanisms incent FPL, albeit in very different  
7 ways, to provide significant benefits to customers.

8 This concludes my summary.

9 **MR. BUTLER:** Thank you, Mr. Rote.

10 I tender the witness for cross-examination.

11 **CHAIRMAN BRISÉ:** Thank you.

12 Mr. McGlothlin, you may proceed.

13 **MR. MCGLOTHLIN:** The document that was  
14 distributed, is this going to be a staff exhibit? I'm  
15 aware that staff has raised an issue and the questions I  
16 have relate to the issue. I don't want to get in  
17 staff's way as they pursue that initiative, but I would  
18 just ask a couple of basic questions since it's my turn  
19 now.

20 **EXAMINATION**

21 **BY MR. MCGLOTHLIN:**

22 **Q** Mr. Rote.

23 **A** Yes, sir.

24 **Q** All other things being equal, would lowering  
25 the heat rate of a generator improve its competitive



1 posture in terms of making wholesale sales?

2 **A** Theoretical, all being equal, yes, sir.

3 **Q** All other things being equal, if a unit has a  
4 greater availability, is it in a better posture to make  
5 more wholesale sales?

6 **A** Theoretically, all things being equal, yes,  
7 sir.

8 **Q** What's theoretical about either of those  
9 questions?

10 **A** Well, there are many forces in the marketplace  
11 as it applies to incentive power purchases and sales  
12 that may not exactly correspond to what we just  
13 discussed.

14 **Q** But these certainly are, are considerations  
15 and factors too, are they not?

16 **A** Yes, sir.

17 **Q** Now you mentioned an array of possible  
18 mechanisms that could be employed as part of the  
19 optimization program, did you not?

20 **A** Yes, sir.

21 **Q** You're familiar with the program that was part  
22 of the settlement package?

23 **A** I am.

24 **Q** So you're familiar with the fact that as  
25 proposed by FPL and incorporated in the settlement, FPL

1 has the ability during the year to nominate  
2 opportunities or transactions that we may not know  
3 today?

4 **A** I believe that's correct.

5 **Q** And if that is correct, then no one here  
6 sitting here today can state definitively whether or not  
7 there's any crossover between the optimization program  
8 and the GPIF; would you agree with that as well?

9 **A** No, I would not. As I stated earlier in my  
10 summary, the GPIF is a very distinct mechanism dedicated  
11 toward our base loaded generating units. The incentive  
12 mechanism that I spoke of, and it was approved by the  
13 Commission in a rate case settlement, is really  
14 beyond -- it's for opportunities that are beyond base  
15 loaded generating opportunities.

16 **Q** And those opportunities are open-ended and  
17 undefined until we come to the next true-up proceeding;  
18 is that correct?

19 **A** I wouldn't say they're open-ended, no, sir.  
20 Now they are not explicitly defined yet as far as being  
21 as concrete as, say, GPIF; however, they are very well  
22 stipulated and articulated in the rate case settlement.  
23 So, for example, there's three components: There's  
24 wholesale sales, wholesale purchases, and asset  
25 optimization activities.

1 Q Are you saying that the optimization program

2 --

3 MR. BUTLER: Sorry. Excuse me, Mr.

4 McGlothlin. I don't think that the witness was finished  
5 with his answer.

6 BY MR. MCGLOTHLIN:

7 Q I did not intend to step on your answer. Go  
8 ahead, sir.

9 A So those three mechanisms are what are spelled  
10 out, if you will, in the 2012 rate case settlement. We  
11 have a history of actually performing incentive sales  
12 mechanism, which is consistent with other utilities in  
13 the state. The purchases were a new distinct component  
14 of the rate case settlement, as was the asset  
15 optimization activities.

16 Q Are you committing today that those three  
17 programs, those three mechanisms that you spoke of will  
18 be the only components of the optimization program?

19 A We had outlined a series of potential --

20 Q Excuse me. I think that calls for a yes or  
21 no.

22 A Okay. I would say yes, subject to certain  
23 qualifications.

24 Q What qualifications are they?

25 A Essentially in the 2012 rate case settlement

1 we had articulated some examples that included but were  
2 not limited to what those asset optimization activities  
3 could be. So it could go beyond the scope of that if  
4 the opportunities presented themselves and FPL was able  
5 to generate additional value for our customers.

6 **Q** Additional undefined opportunities that we  
7 can't describe today; correct?

8 **A** I would generally agree with that.

9 **MR. McGLOTHLIN:** No further questions.

10 **CHAIRMAN BRISÉ:** Staff?

11 **MS. GILCHER:** Staff has a few questions.

12 Before we begin, as a courtesy and convenience we've  
13 distributed the first three pages of Exhibit 56. That  
14 only contains FPL's responses to staff's third set of  
15 interrogatories, and it's interrogatory 24 and 25.

16 **EXAMINATION**

17 **BY MS. GILCHER:**

18 **Q** Mr. Rote, is it your opinion that the  
19 utilities participating in the GPIF program are  
20 effectively incentivized to optimize the efficiency of  
21 their base load units?

22 **A** I would agree with that. Yes.

23 **Q** Is it true that if Florida Power & Light's  
24 GPIF units exceed their performance targets, then  
25 shareholders, shareholders are financially rewarded, and

1 if their performance targets are not achieved, then  
2 their shareholders are financially penalized?

3 **A** I believe that certainly when we exceed the  
4 targets that are outlined in the GPIF there is a reward  
5 and it's symmetric. So, yes, the opposite would be true  
6 as well.

7 **Q** Is it true also that except for the dead band  
8 around a unit's heat rate target there is no dollar  
9 threshold required by the GPIF program before FPL  
10 receives their reward or penalty?

11 **A** Well, as part of the target setting process  
12 there's a very prescriptive process in the GPIF  
13 mechanism that outlines how you actually arrive at the  
14 targets. So, for example, the units that are considered  
15 base loaded, 81% of the generation that will, that FPL  
16 will produce that comprises the units -- in this case,  
17 ten. And as you go through the process, it very clearly  
18 articulates the EAF and heat rate components of it.

19 **Q** So there's no dollar threshold?

20 **A** Well, there are GPIF --

21 **MR. BUTLER:** Could you explain your question?  
22 Dollar threshold for what? I'm not sure that either I  
23 or the witness are understanding what you're referring  
24 to.

25 **BY MS. GILCHER:**

1           **Q**     Before the reward or penalty can be given,  
2 received or taken away, is there a dollar threshold  
3 required by the GPIF program that needs to be met?

4           **A**     During the target setting process when the  
5 actuals come in there are defined targets and rewards  
6 that are associated with the achievement of those  
7 targets or if you exceed them. I'm hoping I'm answering  
8 your question.

9                     There's not a predefined level. But I think  
10 that basically once you've established what the targets  
11 are and the actuals come in against those targets there  
12 are certain ranges -- call them generation performance  
13 incentive points or factors -- that detail out what the  
14 potential rewards or penalties will be.

15                    So I think just to flesh it out, when you're  
16 actually walking through the true-up process for the  
17 following year after the targets have been established,  
18 you have a very good idea once the actuals come in on  
19 exactly how the rewards -- how the units performed, and  
20 they will be rewarded or penalized according to the  
21 target process. Does that answer your question?

22           **Q**     Yes, I believe it does. Thank you.

23                     Could you turn to page 8, lines 12 through 13  
24 of your prefiled testimony?

25           **A**     Which one, ma'am?

1 Q The August 30th.

2 A Page 8. Which lines? I'm sorry.

3 Q 12 and 13.

4 A Okay. I'm there.

5 Q Okay. Here you state, "Incentive mechanism  
6 complements the GPIF program by adding incentives in  
7 areas that are not addressed by the GPIF." Is the  
8 incentive mechanism you're referring to the four-year  
9 asset optimization pilot program that was approved as  
10 part of the stipulation in FPL's rate case?

11 A Yes, ma'am.

12 Q The asset optimization pilot has certain  
13 dollar thresholds that must be obtained before FPL  
14 shareholders receive any compensation; is that right?

15 A Correct.

16 Q And gains on wholesale sales and purchased  
17 power are included when calculating those thresholds; is  
18 that correct?

19 A Yes, ma'am.

20 Q Could you please turn to Exhibit 56 that was  
21 passed around earlier, Bate stamp 132. That would be  
22 interrogatory 25.

23 A I'm there.

24 Q Do you still agree that degradations in base  
25 load unit availability and heat rate increase FPL's

1 opportunity to make off-system wholesale purchases?

2 **A** No, I do not. I mean, it's -- let me qualify  
3 that. I think that essentially as any piece of  
4 equipment operates through its life cycle you can expect  
5 some degradation. I think that, you know, the GPIF  
6 mechanism, the way it's very prescriptive in determining  
7 targets, and then also the true-up mechanisms once the  
8 actuals have come in account for that, if you will.

9 **MS. GILCHER:** I'm sorry. Just give me one  
10 second.

11 **CHAIRMAN BRISÉ:** Take your time.

12 (Pause.)

13 **MS. GILCHER:** Thank you.

14 **BY MS. GILCHER:**

15 **Q** Could you please turn to interrogatory 24.  
16 That would be Bate stamp 131.

17 **A** I'm there.

18 **Q** Do you still agree that improvements in base  
19 loaded unit availability and heat rate increase FPL's  
20 opportunity to make off-system wholesale sales?

21 **A** Theoretically, yes.

22 **Q** Would you agree then that the operation of  
23 base load units is key to whether FPL participates in  
24 off-system sales or purchases?

25 **A** I think I would rather characterize that as it



1 can be a component of it. Certainly as your units are  
2 more available and they perform better, by design then  
3 it allows you to potentially pursue opportunities in the  
4 marketplace that if they were not performing as well may  
5 not be available.

6 **Q** Would you say it's a key component?

7 **A** It's certainly a component. I'm not sure I'd  
8 call it key. Just to follow up on that, I think that,  
9 you know, the incentive mechanism, to get back to kind  
10 of earlier discussion, there may be units that  
11 participate in those incentive mechanisms that are not  
12 GPIF units. That's why I was struggling a little bit  
13 there.

14 **Q** Could you please turn to page 8, line 12, of  
15 your direct testimony one more time?

16 **A** I'm there.

17 **Q** Here you discussed FPL's asset optimization  
18 program approved in Docket Number 120015-EI. Do you  
19 have any data to support your assertion that FPL's asset  
20 optimization program complements the GPIF program?

21 **A** We've looked at certain information that we  
22 can provide at a later time to back up that assertion.  
23 We've looked at off-system sales correlated versus GPIF  
24 generation and certain other scenarios, but I don't have  
25 that with me here today.

1           **Q**     And that hasn't been provided to staff  
2 previously?

3           **A**     Not that I'm aware of, ma'am, no.

4           **Q**     Could you please provide that to staff at a  
5 later time?

6           **A**     Yes.

7           **MR. BUTLER:**   You're probably going to have to  
8 define a little better what it is that we're providing.  
9 And I guess are we doing this as a late-filed exhibit?

10          **MS. GILCHER:**   I retract my last request to  
11 provide the information. Thank you.

12          **CHAIRMAN BRISÉ:**   Sure.

13                 (Pause.)

14 **BY MS. GILCHER:**

15          **Q**     Could you describe the data you're talking  
16 about that you are referring to and why it was not  
17 provided to staff?

18          **A**     I guess maybe to reverse the question that  
19 we're talking about here, we were advised, if you will,  
20 of the position that staff had taken three or four weeks  
21 ago, very relatively late in the game. It was beyond  
22 the discovery period. So at that point we were  
23 essentially trying to understand the purported overlap  
24 between the two mechanisms, so we had analyzed some data  
25 to try to understand what that was. But we have not

1 provided it to staff because we were beyond the  
2 discovery period. We were, we were merely trying to  
3 understand what it was that -- if there was an overlap,  
4 which in our view there clearly is not. So that's why  
5 we've not provided any data. Plus we want to be sure,  
6 to Mr. Butler's point, what it is that we would be  
7 providing.

8 Q So what exactly is it? Like, whatever you're  
9 referring to that you've, you've looked at to come to  
10 this conclusion.

11 A To keep it at a higher level, essentially what  
12 we looked at was we did some basic statistical analysis  
13 to try to understand if there were any correlations, for  
14 example, between GPIF generation, GPIF rewards, and  
15 off-system sales. That was one of the, one of the  
16 scenarios we looked at.

17 Q So at the time you filed your testimony you  
18 had not looked at this data?

19 A No.

20 MR. BUTLER: I'm going have to comment here.  
21 When we filed this testimony, this issue didn't exist.  
22 And what we're struggling with here, I alluded to this  
23 in my opening statement, is that we're in an unusual  
24 procedural posture. You know, there's no testimony on  
25 this for us to address. It wasn't an issue for us to

1 address at the time we filed our testimony. And so what  
2 we have done is simply prepare for something that, as  
3 Mr. Rote indicated, came up fairly late in the game to  
4 try to be able to address, you know, questions that  
5 parties might have about it today.

6 **CHAIRMAN BRISÉ:** Thank you.

7 **MS. GILCHER:** I believe staff has no more  
8 questions.

9 **CHAIRMAN BRISÉ:** Why don't we do this, why  
10 don't we take a five-minute break and we will reconvene  
11 in five minutes. Okay. And you all let me know if we  
12 need more time.

13 (Recess taken.)

14 Okay. Are we ready to reconvene?

15 **MS. GILCHER:** Yes.

16 **CHAIRMAN BRISÉ:** Okay. Thank you. You may  
17 proceed.

18 **MS. BARRERA:** Yes. Thank you, Chairman.  
19 There are no more questions of this witness.

20 At this time staff has spoken with FP&L and  
21 OPC, and staff has recommended that the answer to the  
22 issue as to whether or not FPL should be excluded from  
23 GPIF during the pendency of -- in light of the asset  
24 optimization program for this year should be no on the  
25 basis that we should look at the data that is being, is

1 going to be accumulated during this year. We'll  
2 accumulate data, we will -- during the year, and we'll  
3 bring the issue up again next year. And should there be  
4 an issue as to excluding FPL from GPIF during asset  
5 optimization, it would begin in 2015.

6 Did I explain it right?

7 **MR. BUTLER:** That's what -- that's right.

8 **CHAIRMAN BRISÉ:** Just hold on a second. I  
9 think we were in the posture where Commissioners were  
10 going to pose questions.

11 **MS. BARRERA:** Okay. I'm sorry.

12 **CHAIRMAN BRISÉ:** Once we're done with that,  
13 then we'll move into that phase.

14 **MS. BARRERA:** Okay. I'm so sorry.

15 **CHAIRMAN BRISÉ:** Commissioners, if you have  
16 any questions for the witness, and then we'll get back  
17 to, to the recommendation at decision time.

18 Commissioner Edgar.

19 **COMMISSIONER EDGAR:** Thank you, Mr. Chairman.  
20 I did have a few questions, although that's thrown me a  
21 bit of a curve. I have to digest that for a moment. So  
22 I guess let me, let me try to back up for my purposes  
23 anyway.

24 Hello, Mr. Rote.

25 **THE WITNESS:** Good afternoon.

1           **COMMISSIONER EDGAR:** Thank you for being here.

2           Do you have a copy of the language for Issue  
3 18B in front of you or with you?

4           **THE WITNESS:** I do not.

5           **COMMISSIONER EDGAR:** Okay. Is that something  
6 that we could maybe --

7           **MR. BUTLER:** I'll get it.

8           **COMMISSIONER EDGAR:** Okay. Thank you.

9           (Document handed to witness.)

10           I -- and you are the only witness that is  
11 before us today on this issue, so that's, that's why I  
12 will pose these few questions to you.

13           I do want to ask your understanding or your  
14 interpretation of the language in that issue, but I,  
15 which is why I wanted you to have it in front of you so  
16 that you had the exact wording, but I want to back up a  
17 few moments before I do that. But if you want to take a  
18 moment to look over it, go ahead.

19           (Witness reviewing document.)

20           **THE WITNESS:** Okay. Thank you.

21           **COMMISSIONER EDGAR:** All right. Thank you.

22           Last year in the docket that is, would have  
23 been last year's version of this docket that we are in  
24 right now, what we call the 07 docket, the Commission in  
25 part of our decision-making, we instructed our staff to,

1 and I'm going to quote, "Commence an investigation of  
2 the GPIF mechanism in the 2013 annual fuel cost recovery  
3 clause proceedings," which is what we are in the course  
4 of right now. Are you familiar with that direction of  
5 this Commission to our staff?

6 **THE WITNESS:** I had seen it, yes, ma'am.

7 **COMMISSIONER EDGAR:** Okay. Did you, on behalf  
8 of FPL, participate in our staff's -- the word is  
9 investigation, but that is little bit of a term of  
10 art -- so investigation or review that they conducted  
11 during this past year?

12 **THE WITNESS:** Certainly I was a part of the  
13 discovery process.

14 **COMMISSIONER EDGAR:** Okay. Are you aware of  
15 what the findings or conclusions of that investigation  
16 either are or were?

17 **THE WITNESS:** My recollection was that there  
18 were approximately 49 interrogatories that were gone  
19 through with the, with the investigation, if you will,  
20 of GPIF. And I think at the end of it the proposal was  
21 that, and as I mentioned in my summary today, that  
22 anything up to 50% of fuel savings, we had no objection  
23 to that change. But we specified, A, that in the GPIF  
24 we would never get more than 50% of the savings as a  
25 reward.

1           **COMMISSIONER EDGAR:** And that is a change from  
2 the way the GPIF has been carried out and is reflected  
3 in Issue 18A; is that correct?

4           **THE WITNESS:** I believe it was. Yes, ma'am.

5           **COMMISSIONER EDGAR:** Okay. Coming now to that  
6 specific 18B issue, are -- to your knowledge, are there  
7 dollars that are associated with that issue this year?

8           **THE WITNESS:** Yes, ma'am. We have a, we have  
9 a 2013 projection that includes actuals through  
10 September. And so we, we have projected, if you will,  
11 incentive mechanism gains for the customers.

12           **COMMISSIONER EDGAR:** Under which mechanism?

13           **THE WITNESS:** Under the incentive mechanism.

14           **COMMISSIONER EDGAR:** The GPIF mechanism?

15           **THE WITNESS:** Under the GPIF mechanism we went  
16 through the, the usual true-up process.

17           **COMMISSIONER EDGAR:** Uh-huh.

18           **THE WITNESS:** And my testimony reflected the  
19 results of the true-up process -- Carine Bullock's  
20 testimony did that I adopted.

21           **COMMISSIONER EDGAR:** Okay. Let me reword it  
22 because I think we may be talking past each other.

23           For the language in Issue 18B -- "Should FPL  
24 be excluded from the GPIF program for the duration of  
25 its pilot asset optimization program?" -- if that issue



1 were to be approved by the Commission, would there be  
2 dollars impacted by virtue of the decision in this  
3 docket today?

4 **THE WITNESS:** In the docket today?

5 **COMMISSIONER EDGAR:** For the time period that  
6 we are establishing the factors.

7 **THE WITNESS:** So that would be for the 2014  
8 target?

9 **COMMISSIONER EDGAR:** Yes.

10 **THE WITNESS:** Yes, ma'am.

11 **COMMISSIONER EDGAR:** Okay. And what about for  
12 the 2013 true-up?

13 **THE WITNESS:** No, ma'am.

14 **COMMISSIONER EDGAR:** Okay. Are -- you have  
15 said in your testimony and also in your discussion today  
16 that the GPIF and that the asset optimization program  
17 are complementary, and we have discussed that there is,  
18 to my knowledge, little data to either prove or disprove  
19 that. Would it also be -- do you agree with that  
20 statement?

21 **THE WITNESS:** In general, yes. There's some  
22 data that we have.

23 **COMMISSIONER EDGAR:** Okay. Then let me -- I  
24 know you did it earlier, but if you would please again  
25 elaborate on, from your perspective, the complementary

1 nature of the two incentive programs.

2 **THE WITNESS:** All right. So the GPIF is  
3 really dedicated toward the efficient, the efficient  
4 generation of base loaded units. So that mechanism  
5 really exists to incent FPL and the other utilities, the  
6 other investor-owned utilities to ensure that they're  
7 looking after their units that are providing the base  
8 load generation for their native load.

9 The incentive mechanism in contrast is really  
10 dedicated toward activities where we can generate value  
11 for customers that is outside of the core, our core  
12 mission, if you will, of generating for native  
13 customers; so in the marketplace where we have an  
14 opportunity to actually perform purchases, sales, or  
15 asset optimization activities that are very distinct,  
16 different mechanisms.

17 **COMMISSIONER EDGAR:** Our staff has previously  
18 said on another item on another day that they have  
19 identified, and I'm quoting, a potential overlap or  
20 tension between the two incentive programs. Can you  
21 describe to me what that potential overlap or tension  
22 may be?

23 **THE WITNESS:** Yes, ma'am. Bear with me one  
24 second.

25 **COMMISSIONER EDGAR:** Okay.

1 (Pause.)

2 **THE WITNESS:** So I think the, the issue where  
3 that was raised was a member of staff had actually  
4 proposed that there was tension between the purchases  
5 and the GPIF. And so I think they set an example of a  
6 specific unit where this asset optimization program --  
7 they were trying to basically understand if there was a  
8 potential overlap between GPIF and the proposed  
9 incentive mechanism. And I think ultimately they  
10 concluded there was no harmony between the two incentive  
11 mechanisms.

12 **COMMISSIONER EDGAR:** The point that I'm still  
13 trying to understand a little better, one way or the  
14 other.

15 Let me ask you again to look at the specific  
16 language in Issue 18B. From your perspective, looking  
17 at the specific language of the issue, what would the  
18 term "excluded" -- what would be the impact of the  
19 application of the term "excluded" as it's used in that  
20 issue?

21 **THE WITNESS:** Yeah. In other words, that FPL  
22 would no longer participate in the GPIF.

23 **COMMISSIONER EDGAR:** And what does that mean,  
24 "no longer participate"?

25 **THE WITNESS:** In other words, that they would,

1 they would no longer be rewarded or penalized for, in  
2 the GPIF mechanism for good performance or bad  
3 performance in the GPIF program.

4 **COMMISSIONER EDGAR:** Okay. And then as you  
5 read along in the issue and it says, "for the duration  
6 of the pilot asset optimization program." How -- for  
7 what term would you interpret the duration to be in that  
8 context?

9 **THE WITNESS:** So as I understand it, the asset  
10 mechanism program, the time frame was approximately a  
11 four-year program. But the Commission at the end of two  
12 years would have the absolute right to terminate the  
13 program if they so chose, if they felt it was  
14 ineffective.

15 **COMMISSIONER EDGAR:** So if terminated, two  
16 years; if not terminated, four years?

17 **THE WITNESS:** Yes.

18 **COMMISSIONER EDGAR:** Is that what I'm  
19 understanding?

20 **THE WITNESS:** Yes.

21 **COMMISSIONER EDGAR:** I'm not trying to put  
22 words in your mouth, but --

23 **THE WITNESS:** Yes, ma'am.

24 **COMMISSIONER EDGAR:** Okay. I'm going to leave  
25 it at that for a moment, if I may. Thank you.

1           **CHAIRMAN BRISÉ:** Okay. Commissioner Balbis.

2           **COMMISSIONER BALBIS:** Thank you, Mr. Chairman.

3           And I just want to follow up on some of the  
4           questions Commissioner Edgar had for you. And I'm just  
5           trying to get a big picture understanding of it. And I  
6           understand the GPIF mechanism and the two factors that  
7           you look at; equivalent availability factor and heat  
8           rate.

9           **THE WITNESS:** Yes, sir.

10          **COMMISSIONER BALBIS:** So, in essence, the way  
11          it works is the more efficient the base unit is  
12          operating, the GPIF unit, the more -- the customers save  
13          a certain amount of fuel costs and FPL gets a portion of  
14          that, or any utility gets a portion of that that  
15          participates. But wouldn't that lower the overall cost  
16          of producing electricity?

17                 And then in the pilot optimization program,  
18          wouldn't FPL, if it were to now sell that additional  
19          power that's at lower cost, wouldn't they gain another  
20          reward, if you will, through that program, and is that  
21          double counting or double rewarding at all?

22          **THE WITNESS:** No. I don't believe it's actual  
23          double counting or double rewarding. The GPIF mechanism  
24          is very prescriptive in terms of really rewarding that  
25          base load efficiency. The incentive sales mechanism --

1 if there are opportunities in the marketplace to sell  
2 outside of our native customers, native load, then we  
3 would have the opportunity to do that. I think as the  
4 units are more efficient it may allow theoretically an  
5 opportunity to pursue more market sales. But the two --  
6 we don't see anything that we've looked at that would  
7 suggest that there is a, there is a redundant or double  
8 counting on the rewards, if you will, between the two  
9 mechanisms.

10 **COMMISSIONER BALBIS:** Okay. But if, from a  
11 systemwide basis if you were able to pursue more  
12 purchases or sales, then what would be the net effect of  
13 that? I mean, wouldn't you realize an additional  
14 reward, if you will, through the pilot program, or no?

15 **THE WITNESS:** Well, certainly we would get  
16 closer to our threshold if we were to make more sales,  
17 wholesale sales or purchases or participate more in the  
18 asset optimization program. But that generation that's  
19 providing those sales, if you will, those aren't  
20 necessarily GPIF units.

21 **COMMISSIONER BALBIS:** Okay. And in your  
22 position as Business Services Manager, are you also --  
23 do you also oversee the pilot program?

24 **THE WITNESS:** I do not. I do not. The group  
25 that oversees that is our energy marketing and trading

1 group within FPL. That's not in my area.

2 **COMMISSIONER BALBIS:** Okay. But you indicated  
3 in your testimony that the asset optimization program  
4 complements the program that you manage. But if you  
5 don't oversee that asset optimization program, how can  
6 you make that statement, or are you just that familiar  
7 with it that --

8 **THE WITNESS:** Well, prior to the proceedings  
9 we spent some time, quite a bit of time with the energy  
10 marketing and trading group getting familiar with the  
11 structure of the mechanism, how it actually could  
12 potentially be executed, and getting more and more  
13 familiar with how the mechanism is working. And so,  
14 yes, it's not my direct area of accountability, but we  
15 did spend time with that group to get up to speed on the  
16 mechanism.

17 **COMMISSIONER BALBIS:** Okay. And then just a  
18 different line of questioning. It's something that I've  
19 been curious of as I reviewed the GPIF program. And  
20 that is I found it odd that if you look at the GPIF  
21 units over time, over a number of years, those units  
22 that haven't been retrofitted, et cetera, that you're  
23 not -- I haven't seen a clear improvement in either  
24 availability factor or heat rate for the unit because I  
25 would assume that it would start approaching the

1 theoretical maximum or minimum amount if it would. So  
2 why haven't we seen the change in heat rate and why is  
3 there a continued fluctuation with GPIF units?

4 **THE WITNESS:** Well, I think there's, there's a  
5 couple of components to that answer, if I may.

6 The mechanism itself is unit, unit specific.  
7 So in any given year when we set the targets, depending  
8 on the operating history and what the most efficient  
9 units are, some will drop in, some will drop out. So  
10 it's not necessarily the same units that are included,  
11 if you will, in each year's target setting process and  
12 then the actuals that are evaluated against that.

13 I think that the GPIF mechanism is really  
14 geared toward looking at recent operating history and  
15 unit-specific data. So the incentive really is to make  
16 sure that you're adequately capturing more current  
17 operating parameters, if you will, than over a long  
18 period of time.

19 So by way of example, a combined cycle unit in  
20 any given year may have a very significant outage, and  
21 that would certainly impact the current year's GPIF EAF  
22 target setting, if you will. So it's, it's really  
23 geared toward the base loaded units and then how they  
24 perform relative to recent operating history.

25 **COMMISSIONER BALBIS:** And any significant



1 outage, that gets excluded normally?

2 **THE WITNESS:** What happens is when they're  
3 calculating the EAF, the formula, if you will, is 100%  
4 minus the equivalent plant operating factor. Operating  
5 factor minus the equivalent unplanned operating factor.  
6 And so certainly when you're determining the targets,  
7 that planned outage would be excluded from the EAF  
8 calculation. Yes.

9 **COMMISSIONER BALBIS:** Okay. That's all I have  
10 for now.

11 **CHAIRMAN BRISÉ:** Commissioner Brown.

12 **COMMISSIONER BROWN:** Thank you. A follow-up  
13 to one of Commissioner Edgar's questions. So you say  
14 unequivocally that there's no overlap with the GPIF  
15 program and the incentive mechanism; is that correct?

16 **THE WITNESS:** The analysis that we run doesn't  
17 suggest that at all.

18 **COMMISSIONER BROWN:** In any area?

19 **THE WITNESS:** Certainly with sales it seems a  
20 little more clear than potentially the other areas, with  
21 the exception of the asset optimization. The asset  
22 optimization clearly has nothing to do with generation.  
23 So in that aspect we can say unequivocally.

24 In the sales piece, certainly, as we've talked  
25 about, theoretically if your units are getting more

1 efficient, you may have an opportunity to participate  
2 more in the marketplace. But I think from that  
3 perspective there's really not. And as we've discussed  
4 with the purchases -- and one thing that I should add as  
5 well is that in any given period of time, whether it be  
6 a day, a week, whatever it is, you're rarely going to do  
7 sales and purchases at the same time. Normally on a  
8 day-by-day basis it fluctuates such that you're doing a  
9 purchase or a sale. And so the incentive mechanism is  
10 really trying to capture value for our customers  
11 regardless of which scenario you end up in. Does that  
12 --

13 **COMMISSIONER BROWN:** Thank you. Yes. That  
14 makes sense. Thank you, Mr. Rote.

15 **CHAIRMAN BRISÉ:** Okay. Commissioners, any  
16 further questions for this witness? You can take your  
17 time, go through your notes.

18 Commissioner Edgar.

19 **COMMISSIONER EDGAR:** Mr. Chairman, I don't  
20 have a question for the witness at this time, unless the  
21 next question I ask then triggers one, which is why I  
22 want to ask it while he's still on the stand. And I'm  
23 trying to get the right piece of paper in front of me  
24 here.

25 Okay. If I could pose a question to

1 Mr. McGlothlin. I have a question about the position  
2 that OPC has taken on this issue in the Prehearing  
3 Order, which is on page 11 of the Prehearing Order.

4 **MR. MCGLOTHLIN:** My copy is not at fingertip  
5 reach. If you'll just tell me which --

6 **COMMISSIONER EDGAR:** Sure. Sure. You  
7 probably don't need it. I just wanted to extend that.

8 In the, the, the listing of the issue in the  
9 Prehearing Order, the position as described by the  
10 parties, the issue is, "Should FPL be excluded from the  
11 GPIF program for the duration of the pilot asset  
12 optimization program?" Then the positions taken in  
13 response to that are listed with FPL saying, "No," and a  
14 brief description elaborating on that answer. And then  
15 all other parties say, "No position." Our staff says,  
16 "No position at this time." And OPC has a statement  
17 regarding the pendency of the appeal before the Supreme  
18 Court, but then goes on to say basically that if the  
19 court rules that the settlement would continue in  
20 effect, that, quote, OPC agrees that FPL should be  
21 excluded from the GPIF during the pilot phase of the  
22 program. So my question is with whom are you agreeing?

23 **MR. MCGLOTHLIN:** At the time we put together  
24 the prehearing statements I was under the impression  
25 that staff was pursuing that initiative. And so if I

1 was mistaken in my belief that they were going to take a  
2 position, that explains why there's a discrepancy there.

3 **COMMISSIONER EDGAR:** Okay. All right. Thank  
4 you.

5 Oh, I'm sorry. I'm good now. Thank you very  
6 much.

7 **CHAIRMAN BRISÉ:** I wasn't sure. All right.  
8 No problem.

9 Any further questions, Commissioners?

10 All right. Now redirect.

11 **MR. BUTLER:** Thank you, Mr. Chairman.

12 **EXAMINATION**

13 **BY MR. BUTLER:**

14 **Q** Mr. Rote, do you know whether FPL is  
15 projected to hit its thresholds under the rate case  
16 incentive mechanism, what's been referred to here as the  
17 asset optimization program, in 2013 or 2014?

18 **A** Yes, sir. Our current projections are that we  
19 will achieve less than half of the required threshold to  
20 earn anything under the incentive mechanism in both  
21 years.

22 **Q** And to clarify, in response to some questions  
23 I think that Commissioner Edgar had asked you, in the  
24 2014 factors that we're here today to set, the rewards  
25 for what period, GPIF rewards or penalties, would be

1 included in setting those factors?

2 **A** The rewards that would be --

3 **Q** The rewards/penalties. What years, reward or  
4 penalty, is included in setting the 2014 factors?

5 **A** It's unique to each year.

6 **Q** I'm trying to ask you which year -- you've got  
7 rewards or penalties from various years. Which years,  
8 reward or penalty, would be included in setting the 2014  
9 fuel factors?

10 **A** 2012.

11 **Q** Okay. And when did the asset optimization  
12 mechanism go into effect?

13 **A** That was part of the approved rate case  
14 settlement I believe in January of 2013.

15 **Q** Okay. Prior to the asset optimization program  
16 being approved for FPL was FPL participating in any  
17 other incentive mechanism for gains on wholesale sales?

18 **A** Yes.

19 **Q** Okay. And is there a mechanism for gains on  
20 wholesale sales in effect today for utilities other than  
21 FPL?

22 **A** Yes, sir. All the investor-owned utilities  
23 have that mechanism.

24 **Q** Do you know whether that's been true for a  
25 substantial part of the time that the GPIF has been in

1 effect?

2 **A** Yes, sir. There's been incentive mechanisms  
3 in place all the way back to 1984, and then there was a  
4 subsequent mechanism that was approved by the Commission  
5 in 2001, which was in effect through really today.

6 **MR. BUTLER:** Thank you. That's all the  
7 redirect that I have. Thank you, Mr. Rote.

8 **CHAIRMAN BRISÉ:** Thank you very much. Let's  
9 deal with exhibits.

10 **MR. BUTLER:** I would move the admission of  
11 Exhibits 19 and 20.

12 **CHAIRMAN BRISÉ:** Okay. We will move into the  
13 record Exhibits 19 and 20, seeing no objections.

14 (Exhibits 19 and 20 admitted into the record.)

15 Okay. Any other exhibits?

16 **MS. GILCHER:** Exhibit 56 was already entered  
17 into the record.

18 **CHAIRMAN BRISÉ:** Okay. Thank you very much.  
19 Anything else for this witness?

20 **MR. BUTLER:** Not from me. May he be excused?

21 **CHAIRMAN BRISÉ:** Yes. Mr. Rote, thank you for  
22 your testimony. You may be excused.

23 **THE WITNESS:** Thank you.

24 **MR. BUTLER:** Thank you.

25 **CHAIRMAN BRISÉ:** Okay. Now, Commissioners, we

1 are done with testimony.

2 Okay. And so now we're at the point of  
3 decision, and so we have a few options before us. And I  
4 want to hear from staff at this point on what you were  
5 addressing us -- what you were addressing a little bit  
6 earlier.

7 **MS. BARRERA:** Yes, Commissioner. The parties  
8 have discussed a proposed resolution to Issue 18B. The  
9 resolution would be that the -- the answer to Issue 18B  
10 would be, no, that FPL would not be excluded from the  
11 GPIF program during the pendency of 2014; that during  
12 this next year data would be gathered to investigate  
13 whether or not the programs either complement or  
14 conflict with each other. That would be an issue that  
15 would be brought into next year's fuel docket. And that  
16 should at that time the decision be that there is a  
17 problem between the two programs and there's an overlap,  
18 that FP&L would be excluded beginning in 2015.

19 Now have I said that correctly?

20 **CHAIRMAN BRISÉ:** Okay. I want to make sure  
21 that all the parties understand and agree to, to what is  
22 proposed here.

23 **MR. MCGLOTHLIN:** Mr. Chairman, Commissioners,  
24 for OPC I would say that we have not taken the lead on  
25 this issue. We felt once we followed what staff was

1 developing, it seemed to us to be a good idea and so my  
2 questions were designed to support the idea of  
3 exclusion. And I would have some questions or  
4 reservations about whether this data is going to be of  
5 the type that would enable us to untangle what could be  
6 overlapping issues. With that said, I think this would  
7 be a Type B type of stipulation. I will not join it,  
8 but neither will I get in the way of it.

9 **CHAIRMAN BRISÉ:** Okay. All right.

10 Commissioners, let's weigh in here.

11 Commissioner Edgar.

12 **COMMISSIONER EDGAR:** Mr. Chairman, when I met  
13 with staff late last week to kind of go over some of the  
14 issues and some of the procedural aspects of the many  
15 dockets that we were scheduled and have taken up today,  
16 I did have some questions on this issue. And to me the  
17 wording in it is a little, a little awkward and a little  
18 unclear, and recognizing that the staff and, and  
19 stakeholders and interested parties have been reviewing  
20 a variety of aspects with GPIF per our direction a year  
21 ago.

22 One of the issues that we discussed is that  
23 for this issue and also for the one that we heard  
24 testimony previously, I think it's 25B.

25 **CHAIRMAN BRISÉ:** B.



1           **COMMISSIONER EDGAR:** Thank you. 25B, that  
2 there are policy issues that include the interpretation  
3 of statutes and rules and previous decisions. So I  
4 would be interested in putting out there for discussion  
5 whether we request briefs by the parties on this, on  
6 these two issues, recognizing that then the other issues  
7 I believe would be fallout from there.

8           My understanding is, of course, that would  
9 push back a few timelines, but my understanding is that  
10 that is manageable. So I would put that out there for  
11 consideration and/or to see if there is a problem with  
12 that that I'm not aware of.

13           **MR. MCGLOTHLIN:** Based on your discussion, I  
14 had intended to request an opportunity to brief the  
15 Fukushima-related issues.

16           **CHAIRMAN BRISÉ:** Okay. Thank you.

17           Commissioners, any other thoughts on what  
18 Commissioner Edgar has, has put out there?

19           **COMMISSIONER BROWN:** I'm supportive of the  
20 proposal. I think it's a good idea.

21           **CHAIRMAN BRISÉ:** Commissioner Balbis.

22           **COMMISSIONER BALBIS:** I just wanted to  
23 indicate my support as well.

24           **CHAIRMAN BRISÉ:** Okay. Parties, there is the  
25 issue of some certain timelines. I want to make sure

1 that, that everyone is okay with that.

2 **MR. BUTLER:** I don't see a problem with it  
3 from a timing perspective. And I think, frankly, given  
4 where we are maybe it's the best thing to do at this  
5 point is to just brief the, what we've heard and what we  
6 can and can't say at this point about these issues.  
7 Yes.

8 **CHAIRMAN BRISÉ:** And the briefs don't  
9 necessarily preclude the idea of, you know, addressing  
10 whatever agreement we come up with, and we would be in a  
11 better position to make that kind of determination at  
12 that point anyway.

13 Ms. Barrera, it seems like you wanted to say  
14 something.

15 **MS. BARRERA:** Yes, sir. Just to point out  
16 that the briefs would be due November 15th, and that  
17 staff will prepare written recommendation at, for the  
18 December 3rd, 2013, agenda, and that the final order  
19 would be issued by December 20th.

20 **CHAIRMAN BRISÉ:** Thank you.

21 Mr. Butler.

22 **MR. BUTLER:** Mr. Chairman, yes, if I could ask  
23 for a clarification here. I think everybody is in  
24 agreement this is the case, but, if not, I'd like to  
25 speak through it.

1           As I clarified with Mr. Rote, albeit with some  
2 difficulty, in the redirect examination, the fact -- the  
3 GPIF reward that will be taken into account in setting  
4 the 2014 factors is the main thing we're here today to  
5 do. That's from 2012. That is from prior to the  
6 incentive mechanism that was approved in the rate case  
7 settlement going into effect. And I believe it's the  
8 case that whatever we end up doing here in briefing and  
9 then deciding on what to do about this overlap question,  
10 it doesn't apply to the 2012 reward, which is what will  
11 go into the 2014 factor. And, therefore, this process  
12 doesn't really hold up the determination of the 2014  
13 fuel factors. That's my understanding. And if there's  
14 any disagreement with that, I'd be interested to hear  
15 it.

16           **CHAIRMAN BRISÉ:** Staff?

17           **MS. BARRERA:** Staff has indicated that there's  
18 no disagreement with that.

19           **CHAIRMAN BRISÉ:** Okay.

20           **MR. MCGLOTHLIN:** Sounds right.

21           **CHAIRMAN BRISÉ:** Okay.

22           **MR. BUTLER:** Thank you.

23           **CHAIRMAN BRISÉ:** All right. So, so at this  
24 point we're asking for briefs on Issues 18B, 25B, and I  
25 guess associated with that is 25C. And then there are a

1 few fallout issues -- 29, 30, 31, 32, and 34 -- that  
2 sort of fall out as a result of those issues.

3 All right. Does anything here require a  
4 motion? I don't believe so.

5 Okay. So we said the critical dates are  
6 November 15 and November -- I mean, December 3rd.

7 **MS. BARRERA:** Yes, sir.

8 **CHAIRMAN BRISÉ:** Okay. So with that, is there  
9 anything else for the record, Ms. Barrera?

10 **MS. BARRERA:** No. Staff is not aware of  
11 anything else.

12 **CHAIRMAN BRISÉ:** Okay. With that we will  
13 adjourn this meeting and continue the docket. All  
14 right. Thank you very much. Have a good day.

15 (Proceeding adjourned at 2:52 p.m.)  
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1 STATE OF FLORIDA )  
2 COUNTY OF LEON )

CERTIFICATE OF REPORTER

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I, LINDA BOLES, CRR, RPR, Official Commission Reporter, 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 5<sup>th</sup> day of November 2013.

Linda Boles

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