

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**DOCKET NO. 160009-EI
FLORIDA POWER & LIGHT COMPANY**

APRIL 27, 2016

**IN RE: NUCLEAR POWER PLANT COST RECOVERY
FOR THE YEAR ENDING
DECEMBER 2017**

**TESTIMONY & EXHIBITS OF:
JENNIFER GRANT-KEENE**

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **FLORIDA POWER & LIGHT COMPANY**

3 **DIRECT TESTIMONY OF JENNIFER GRANT-KEENE**

4 **DOCKET NO. 160009-EI**

5 **April 27, 2016**

6

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

8 A. My name is Jennifer Grant-Keene. My business address is 700 Universe
9 Boulevard, Juno Beach, FL 33408.

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

11 A. I am employed by Florida Power & Light Company (“FPL” or “the
12 Company”). My current title is Accounting Project Manager, Clause
13 Accounting.

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

15 A. Yes.

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

17 A. The purpose of my testimony is to present the calculation of the 2017 revenue
18 requirements that FPL is requesting to recover through the Capacity Cost
19 Recovery Clause (CCRC) in 2017. These revenue requirements are
20 summarized in my Exhibit JGK-2 and shown in FPL’s Nuclear Filing
21 Requirement Schedules (NFRs) filed in this docket. Included in these revenue
22 requirements is FPL’s final true-up from the 2015 True-Up (T) Schedules
23 filed in this docket on March 1, 2016. In addition, I provide an overview of

1 the components of the revenue requirements included in FPL's filing and
2 demonstrate that the filing complies with the Florida Public Service
3 Commission's ("FPSC" or "Commission") Rule No. 25-6.0423, Nuclear or
4 Integrated Gasification Combined Cycle Power Plant Cost Recovery
5 ("Nuclear Cost Recovery Rule" or "NCR Rule"). I also discuss the
6 accounting controls FPL relies upon to ensure only appropriate costs are
7 charged to the project. Unless otherwise noted, the costs I discuss are retail
8 jurisdictional costs.

9 **Q. Please summarize your testimony.**

10 A. FPL is requesting to recover \$22,081,049 in revenue requirements in 2017.

11 These revenue requirements are based on:

12 (1) the final true-up of 2015 costs resulting in an over-recovery of \$1,306,211;

13 (2) the Actual/Estimated true-up of 2016 costs resulting in an under-recovery
14 of \$1,316,588; and

15 (3) revenue requirements of \$22,070,672 related to the Projection of 2017
16 costs.

17

18 FPL's 2016 Actual/Estimated (AE) and 2017 Projected (P) Schedules comply
19 with the Nuclear Cost Recovery Rule and reflect information subject to the
20 robust and comprehensive corporate and overlapping business unit controls
21 for incurring and validating costs and recording transactions associated with
22 FPL's Turkey Point 6 & 7 Project ("TP 6 & 7" or "the Project").

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

1 A. Yes. I am sponsoring the following exhibit:
2 • Exhibit JGK-2, 2017 Revenue Requirements, summarizes the revenue
3 requirements requested to be recovered in 2017. These amounts include
4 the results of the 2015 T NFRs filed in this docket on March 1, 2016, the
5 2016 AE NFRs, and the 2017 P NFRs. The NFRs detail the components
6 of costs for the Project, by year and by category of costs being recovered.
7 This includes Site Selection and Pre-construction costs, and carrying
8 costs on unrecovered balances and on the deferred tax asset.

9 I additionally sponsor or co-sponsor some of the NFRs included in Exhibit
10 SDS-7, Turkey Point 6 & 7 Site Selection and Pre-construction NFR
11 Schedules. These consist of 2016 AE Schedules, 2017 P Schedules, and 2017
12 TOR Schedules. The NFRs contain a table of contents listing the schedules
13 sponsored and co-sponsored by FPL Witness Scroggs and me, respectively.
14

15 **NUCLEAR FILING REQUIREMENT SCHEDULES**

16

17 **Q. Please describe the NFRs you are filing with this testimony.**

18 A. FPL is filing its 2016 AE, 2017 P, and 2017 TOR Schedules consistent with
19 the requirements of the NCR Rule to provide an overview of the financial
20 aspects of its new nuclear power plant project, outline the categories of costs
21 represented, and provide the calculation of detailed project revenue
22 requirements. The 2017 TOR Schedules provide an updated summary of the
23 cumulative project costs.

1 **Q. Does the Nuclear Cost Recovery Rule describe the annual filing**
2 **requirements that a utility must make in support of its current year**
3 **expenditures for Commission review and approval?**

4 A. Yes. The Nuclear Cost Recovery Rule, 25-6.0423(6)(c) states:

5 “1. Each year . . . a utility shall submit, for Commission review and approval,
6 as part of its cost recovery filings: ...

7 b. True-Up and Projections for Current Year. A utility shall submit for
8 Commission review and approval its actual/estimated true-up of projected pre-
9 construction expenditures based on a comparison of current year
10 actual/estimated expenditures and the previously-filed estimated expenditures
11 for such current year and a description of the pre-construction work projected
12 to be performed during such year; or, once construction begins, its
13 actual/estimated true-up of projected carrying costs on construction
14 expenditures based on a comparison of current year actual/estimated carrying
15 costs on construction expenditures and the previously filed estimated carrying
16 costs on construction expenditures for such current year and a description of
17 the construction work projected to be performed during such year.”

18 **Q. Is FPL complying with these requirements with respect to its 2016**
19 **Actual/Estimated TP 6 & 7 Project costs?**

20 A. Yes. FPL has included for the Project the 2016 AE Schedules in Exhibit
21 SDS-7 for Site Selection and Pre-construction costs.

1 **Q. Does the Nuclear Cost Recovery Rule describe the annual filing**
2 **requirements that a utility must make for the projected year expenditures**
3 **for Commission review and approval?**

4 A. Yes. The Nuclear Cost Recovery Rule, 25-6.0423(6)(c) states:

5 “1. Each year . . . a utility shall submit, for Commission review and approval,
6 as part of its cost recovery filings: ...

7 c. Projected Costs for Subsequent Years. A utility shall submit, for
8 Commission review and approval, its projected pre-construction expenditures
9 for the subsequent year and a description of the pre-construction work
10 projected to be performed during such year; or, once construction begins, its
11 projected construction expenditures for the subsequent year and a description
12 of the construction work projected to be performed during such year.”

13 **Q. Is FPL complying with these requirements with respect to its 2017**
14 **Projected TP 6 & 7 Project costs?**

15 A. Yes. FPL has included the 2017 P Schedules in Exhibit SDS-7 for Site
16 Selection and Pre-construction costs. My Exhibit JGK-2, details the true-up
17 of 2015 actual costs (as filed on March 1, 2016 in this docket), and the 2016
18 Actual/Estimated and 2017 Projected revenue requirements FPL is filing now
19 and requesting to recover in 2017.

20 **Q. How is FPL providing an update to the original TP 6 & 7 Project cost?**

21 A. FPL has included the 2017 TOR Schedules in Exhibit SDS-7 for Site
22 Selection and Pre-construction costs. The TOR Schedules follow the format
23 of the T, AE, and P Schedules, but also provide the actual to date project costs

1 and projected total costs for the duration of the project based on the best
2 available information prior to this filing. Schedule TOR-2 provides the
3 information required by Rule 25-6.0423(9)(f).

4 **Q. What is the amount of sunk costs that FPL has incurred as of the end of**
5 **2015?**

6 A. FPL's sunk costs for the Project are approximately \$282 million as of
7 December 31, 2015.

8 **Q. Please explain the components of the revenue requirements that FPL is**
9 **requesting to include for recovery effective January 2, 2017.**

10 A. The total amount FPL is requesting to recover in 2017 is \$22,081,049. This
11 amount reflects the true-up to 2015 Actual costs as filed on March 1, 2016,
12 representing an over-recovery of \$1,306,211, the under-recovery of 2016
13 Actual/Estimated costs of \$1,316,588, and the recovery of 2017 Projected
14 costs of \$22,070,672 as shown on Exhibit JGK-2.

15

16 **REVENUE REQUIREMENTS OVERVIEW**

17

18 **Q. What are FPL's 2016 Actual/Estimated TP 6 & 7 Project Pre-**
19 **construction costs compared to costs previously projected and any**
20 **resulting (over)/under recoveries of costs?**

21 A. FPL's Actual/Estimated TP 6 & 7 Pre-construction costs for the period
22 January through December 2016 are \$22,856,719, excluding initial
23 assessment costs, as presented on Exhibit SDS-7, Schedule AE-6. FPL's

1 previous projected 2016 Pre-construction costs were \$21,057,310. The result
2 is an under-recovery of Pre-construction revenue requirements of \$1,799,409.

3 **Q. What are FPL's 2016 Actual/Estimated TP 6 & 7 Project Pre-**
4 **construction and Site Selection carrying costs compared to carrying costs**
5 **previously projected and any resulting (over)/under recoveries of costs?**

6 A. FPL's 2016 Actual/Estimated Project carrying costs are \$7,299,287. FPL's
7 previous projected carrying costs were \$7,782,109, resulting in an over-
8 recovery of revenue requirements of \$482,822. The calculations of the
9 carrying costs can be found in Exhibits JGK-2 and SDS-7, Schedules AE-2
10 and AE-3A.

11 **Q. What revenue requirement amount is FPL requesting for its 2017**
12 **projected TP 6 & 7 Project costs?**

13 A. FPL is requesting recovery of \$22,070,672 in revenue requirements related to
14 its projected 2017 Project Site Selection and Pre-construction costs. These
15 revenue requirements consist of projected Pre-construction costs of
16 \$14,254,550 as presented in FPL Witness Scroggs's testimony and provided
17 in Exhibit SDS-7, Schedule P-6, and projected carrying costs of \$7,656,172 as
18 shown in Exhibit SDS-7, Schedules P-2 and P-3A. Also included are
19 projected Site Selection carrying costs of \$159,949 as shown on Exhibit JGK-
20 2.

21 **Q. What is the total Company amount of Initial Assessment costs FPL is**
22 **projecting to incur in 2016 and 2017, and defer for later recovery?**

23 A. The total Company (i.e., not jurisdictional) Initial Assessment costs estimated

1 to be incurred in 2016 is \$976,464 as discussed by FPL Witness Scroggs and
2 shown on Exhibit SDS-7, NFR Schedule AE-6. FPL is not projecting to incur
3 Initial Assessment costs in 2017. FPL is capitalizing these project costs as
4 incurred and accruing allowance for funds used during construction
5 (AFUDC). FPL estimates it will accrue AFUDC of approximately \$213,000
6 in 2016. Both Initial Assessment costs and AFUDC are currently being
7 deferred for future recovery.

8 **Q. What is the total amount FPL is requesting to recover in its 2017 NCR**
9 **CCRC factors for the TP 6 & 7 Project?**

10 A. FPL is requesting to include \$22,081,049 of revenue requirements in 2017 for
11 the Project of which \$21,920,566 is for Pre-construction costs and \$160,483 is
12 attributed to carrying costs for Site Selection.

13

14 This total amount consists of the true-up of 2015 actual Project Pre-
15 construction costs and carrying costs of \$1,306,211 over-recovery, described
16 in my March 1, 2016 testimony; the true-up of 2016 Actual/Estimated Project
17 Pre-construction costs and carrying costs of \$1,316,588 under-recovery; and
18 the 2017 Projected Pre-construction costs and carrying costs of \$22,070,672.

19 The amount pertaining to Project Site Selection includes the 2015 true-up of
20 under-recovered carrying costs of \$345, as described in my March 1, 2016
21 testimony; the 2016 Actual/Estimated carrying costs of \$189 under-recovery;
22 and the 2017 Projected carrying costs of \$159,949, as shown on Exhibit JGK-
23 2.

1

2 FPL respectfully requests that the Commission approve the 2016
3 Actual/Estimated and 2017 Projected costs, and the resulting Pre-construction
4 and Site Selection carrying costs as reasonable, and approve the revenue
5 requirements described in my testimony for recovery in FPL's 2017 CCRC
6 factors.

7

8

ACCOUNTING CONTROLS

9

10 **Q. Please describe the accounting controls that provide you reasonable**
11 **assurance that the costs included in the filing are correct.**

12 A. As described more fully in my March 1, 2016 testimony, FPL has a robust
13 system of corporate accounting controls. These accounting controls continue
14 to be utilized in 2016. The Company relies on its comprehensive corporate
15 and overlapping business unit controls for recording and reporting
16 transactions associated with any of its capital projects including the TP 6 & 7
17 Project. Highlights of the Company's comprehensive and overlapping
18 controls which continue to be utilized in 2016 for the Project include:

- 19
- 20 • FPL's Accounting Policies and Procedures;
 - 21 • Financial systems and related controls including FPL's general ledger
(SAP) and construction asset tracking system (PowerPlan); and
 - 22 • Business unit specific controls and processes.

1 **Q. Are these controls documented, assessed, audited and/or tested on an**
2 **ongoing basis?**

3 A. Yes. The FPL corporate accounting policies and procedures are documented
4 and published on the Company's internal website, Employee Web. Included
5 on the Company's internal website are the corporate procedures regarding
6 cash disbursements, accounts payable, contract administration, and financial
7 closing schedules, which provide the business units guidance as to the
8 processing and recording of transactions. The business units can then build
9 their more specific procedures around these corporate procedures. FPL's
10 internal audit department annually audits the Project. The FPL internal audit
11 of 2015 costs and controls found no exceptions and that project controls were
12 good. The FPSC staff also is continuing its audits. Additionally, by virtue of
13 the NFRs themselves, a high level of transparency allows all parties to review
14 and determine the prudence and reasonableness of the decisions and
15 expenditures identified in FPL's filing.

16 **Q. How does FPL ensure only incremental payroll is charged to the project?**

17 A. The Company has issued specific guidelines for charging labor costs to the
18 project internal orders. These guidelines emphasize the need for particular
19 care in charging only incremental labor to the project internal orders included
20 for nuclear cost recovery and ensure consistent application of the Company's
21 capitalization policy. These guidelines describe the process for the exclusion
22 of non-incremental labor from nuclear cost recovery while providing full
23 capitalization of all appropriate labor costs through the implementation of

1 separate project capital internal orders that will be included in future base rate
2 recoveries.

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

4 **A. Yes.**

Florida Power Light Company
2017 Revenue Requirements (In Jurisdictional \$)
Exhibit JGK-2

Line No.	(1)	(2)	(3)=(2)-(1)	(4)	(5)	(6)=(5)-(4)	(7)=(3)+(6)	(8)	(9)=(7)+(8)
	Dkt. # 150009 2015 Actual/ Estimated	Dkt. # 160009 2015 True-Up	2015 (Over)/ Under Recovery	Dkt. # 150009 2016 Projected Costs	Dkt. # 160009 2016 Actual/ Estimated	2016 (Over)/ Under Recovery	Total 2015/2016 (Over)/Under Recovery	Dkt. # 160009 2017 Projected Costs	Net Costs to be Recovered/ (Returned) in 2017
Turkey Point 6 & 7 Site Selection									
1									
2	Site Selection Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3									
4	Carrying Costs (b)	\$158	\$158	\$0	\$27	(\$180)	(\$207)	\$9	(\$198)
5	Carrying Costs on DTA/DTL (c)	\$159,586	\$159,930	\$344	\$159,561	\$159,957	\$396	\$159,941	\$160,681
6	Total Carrying Costs	\$159,744	\$160,088	\$345	\$159,588	\$159,777	\$534	\$159,949	\$160,483
7									
8	Recovery of Costs & Carrying Costs	<u>\$159,744</u>	<u>\$160,088</u>	<u>\$345</u>	<u>\$159,588</u>	<u>\$159,777</u>	<u>\$189</u>	<u>\$159,949</u>	<u>\$160,483</u>
9									
10									
11	Turkey Point 6 & 7 Preconstruction								
12									
13	Pre-Construction Costs (a)	\$18,638,220	\$17,309,494	(\$1,328,727)	\$21,057,310	\$22,856,719	\$1,799,409	\$14,254,550	\$14,725,233
14									
15									
16	Carrying Costs (b)	(\$62,774)	(\$57,109)	\$5,665	\$246,400	\$102,446	(\$143,955)	\$449	(\$137,840)
17	Carrying Costs on DTA/DTL (c)	\$6,709,332	\$6,725,838	\$16,505	\$7,376,121	\$7,037,065	(\$339,056)	\$7,655,723	\$7,333,172
18	Total Carrying Costs	\$6,646,558	\$6,668,729	\$22,171	\$7,622,521	\$7,139,510	(\$483,011)	\$7,656,172	\$7,195,333
19									
20	Recovery of Costs & Carrying Costs	<u>\$25,284,779</u>	<u>\$23,978,223</u>	<u>(\$1,306,556)</u>	<u>\$28,679,830</u>	<u>\$29,996,229</u>	<u>\$1,316,399</u>	<u>\$21,910,723</u>	<u>\$21,920,566</u>
21									
22	Total Turkey Point 6 & 7	<u>\$25,444,523</u>	<u>\$24,138,311</u>	<u>(\$1,306,211)</u>	<u>\$28,839,419</u>	<u>\$30,156,006</u>	<u>\$1,316,588</u>	<u>\$22,070,672</u>	<u>\$22,081,049</u>
23									
24									
25									
26	Total Recovery	<u>\$25,444,523</u>	<u>\$24,138,311</u>	<u>(\$1,306,211)</u>	<u>\$28,839,419</u>	<u>\$30,156,006</u>	<u>\$1,316,588</u>	<u>\$22,070,672</u>	<u>\$22,081,049</u>
27									

- Notes:**
- (a) Pre-construction Costs are expenditures on major tasks performed.
- (b) Carrying Costs are costs calculated on the average of the sum of CWIP Charges, Adjustments and Unamortized Carrying Costs from prior years less Monthly Amortization at the most recent effective AFUDC Rate.
- (c) Current Year Carrying Costs on Deferred Tax Asset/Deferred Tax Liability are costs calculated on the average Recovered Costs excluding AFUDC/Transfer to Plant at the most recent AFUDC Rate.

*Totals may not add due to rounding

**CERTIFICATE OF SERVICE
DOCKET NO. 160009-EI**

I HEREBY CERTIFY that a true and correct copy of the testimony of Jennifer Grant-Keene supporting FPL's Petition for Approval of Nuclear Power Plant Cost Recovery Amount for the Year 2017 was served electronically this 27th day of April, 2016, to the following:

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