

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Nuclear Cost)
Recovery Clause)

Docket No. 160009-EI
Filed: June 30, 2016

FLORIDA POWER & LIGHT COMPANY’S PREHEARING STATEMENT

Florida Power & Light Company (“FPL” or the “Company”), pursuant to Section 366.93, Florida Statutes, and Rule 25-6.0423, Florida Administrative Code, hereby files with the Florida Public Service Commission (“FPSC” or “Commission”) its Prehearing Statement in connection with its Petition For Approval of Nuclear Power Plant Cost Recovery True-Up for the Period Ending December 2015, filed March 1, 2016, and its Petition For Approval of Nuclear Power Plant Cost Recovery Amount for the Year 2017, filed April 27, 2016, and states:

I. FPL WITNESSES

A. DIRECT

Witness	Subject Matter	Issues
Steven D. Scroggs FPL	Describes the deliberate, step-wise process FPL is employing in the development of the Turkey Point 6 & 7 project; provides a description of key project management decisions and internal project budget, schedule, and cost controls; supports the prudence of actual costs incurred for the project during 2015, and the reasonableness of FPL’s actual/estimated costs in 2016 and projected costs for 2017.	7, 7A, 7B, 8, 9, 10, 11
Jennifer Grant-Keene FPL	Explains FPL’s compliance with Rule 25-6.0423, Florida Administrative Code; discusses the accounting controls FPL relies upon to help ensure only correct costs are appropriately charged to the Turkey Point 6 & 7 project; computes and presents FPL’s total request for recovery during the January-December 2017 period.	8, 9, 10, 11, 12

B. REBUTTAL

Steven D. Scroggs FPL	Responds to the testimony provided by William Jacobs on behalf of the Office of Public Counsel (“OPC”) and Eugene Meehan on behalf of the City of Miami (“COM”), addressing mischaracterizations of his testimony and concluding that the Commission has the necessary information to determine whether it is appropriate to take the incremental steps needed to complete the licenses, permits, certification and other related approvals for the Turkey Point 6 & 7 project.	9, 10, 11
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II. EXHIBITS

Exhibits	Witness	Sponsor	Description
SDS-1	Steve Scroggs/Jennifer Grant-Keene	FPL	T- Schedules Turkey Point 6 & 7 Site Selection and Pre-Construction Costs
SDS-2	Steve Scroggs	FPL	Turkey Point 6 & 7 Licenses, Permits and Approvals
SDS-3	Steve Scroggs	FPL	Turkey Point 6 & 7 Procedures and Work Instructions
SDS-4	Steve Scroggs	FPL	Turkey Point 6 & 7 Project Reports
SDS-5	Steve Scroggs	FPL	Turkey Point 6 & 7 Project Instructions and Forms
SDS-6	Steve Scroggs	FPL	Turkey Point 6 & 7 Summary Tables of the 2015 Expenditures
SDS-7	Steve Scroggs/Jennifer Grant-Keene	FPL	Turkey Point 6 & 7 Site Selection and Pre-construction Nuclear Filing Requirement Schedules
SDS-8	Steve Scroggs	FPL	Turkey Point 6 & 7 Project Expenditure Summary Tables
SDS-9	Steve Scroggs	FPL	Remaining Steps in Turkey Point 6 & 7 Licensing
JGK-1	Jennifer Grant-Keene	FPL	Final True-Up of 2015 Revenue Requirements
JGK-2	Jennifer Grant-Keene	FPL	2017 Revenue Requirements

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

III. STATEMENT OF BASIC POSITION

Section 403.519(4), Florida Statutes, Section 366.93, Florida Statutes, and Rule 25-6.0423, Florida Administrative Code (“the Rule”) establish the legal and regulatory framework for the recovery of costs in the development of nuclear generation in Florida.¹ Section 403.519(4), Florida Statutes, applies to the determination of need for a nuclear-fueled power plant. This section emphasizes the Florida Legislature’s desire to improve fuel diversity, reduce dependence on fuel oil and natural gas, reduce air emission compliance costs, and contribute to the long-term stability and reliability of the electric grid in Florida; establishes the prudence standard that shall be applied in nuclear cost recovery proceedings; and makes clear that a utility is entitled to recover all prudently incurred costs. Specifically, the statute states that after a determination of need is granted, “the right of a utility to recover any costs incurred prior to commercial operation, including but not limited to costs associated with the siting, design, licensing, or construction of the plant...shall not be subject to challenge” unless a preponderance of the evidence supports a finding that “certain costs” were imprudently incurred. The statute further makes clear that (i) proceeding with the construction of the nuclear power plant following an order by the Commission approving the need for it “shall not constitute or be evidence of imprudence” and (ii) “imprudence shall not include any cost increases due to events beyond the utility’s control.” *See* § 403.519(4)(e), Fla. Stat.

¹All references to Florida statutes are to the 2015 Florida Statutes.

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

FPL’s Turkey Point 6 & 7 project qualifies for cost recovery pursuant to the Nuclear Cost Recovery (“NCR”) statute and Rule. The project was granted an affirmative determination of need by the Commission pursuant to Section 403.519(4), Florida Statutes, and FPL is therefore entitled to recover all its prudent and reasonable costs. *See* Order No. PSC-08-0237-FOF-EI, issued April 11, 2008 (making an affirmative determination of need for Turkey Point 6 & 7).

As demonstrated in the testimony, exhibits, and Nuclear Filing Requirements (“NFRs”) filed in this docket, FPL’s expenditures in 2015 were prudently incurred. Additionally, FPL’s actual/estimated 2016 expenditures and projected 2017 expenditures for the Turkey Point 6 & 7 project are reasonable. As discussed in the testimony of Steven Scroggs, FPL is not requesting approval to begin pre-construction work in 2017. Accordingly, and for the reasons discussed in FPL’s April 27, 2016 Petition for Waiver of Rule 25-6.0423(6)(c)5, FPL did not file a feasibility analysis this year.

The FPSC Office of Auditing Performance and Analysis's 2016 report on FPL's project management internal controls concludes that FPL's project internal controls, risk evaluation, and management oversight for the Turkey Point 6 & 7 project are adequate and responsive to current project requirements. Furthermore, no party has filed testimony disputing the prudence or reasonableness of any particular cost sought for recovery. Rather, the testimony provided on behalf of the OPC and COM assert generally that the Commission should not or cannot allow any cost recovery without a feasibility analysis (a claim with which FPL disagrees both factually and legally).

While it is FPL's opinion that the Commission has the ability to assess the reasonableness of the incremental steps needed to complete the licenses, permits, certification and other related approvals for the Turkey Point 6 & 7 project without another quantitative feasibility analysis, FPL has filed a motion to defer the Commission's consideration of FPL's issues to the 2017 NCR docket and to defer recovery of FPL's requested 2017 NCR amount until 2018. Upon approval of this motion, FPL will withdraw its Petition for Waiver and will plan to file a feasibility analysis in the ordinary course of the 2017 NCR cycle.

IV. ISSUES AND POSITIONS

A. DEF SPECIFIC ISSUES

DEF 1-6: FPL takes no position on the issues identified for Duke Energy Florida.

B. FPL SPECIFIC ISSUES

Issue 7: **Should the Commission approve as reasonable what FPL has submitted as its 2016 annual detailed analysis of the long-term feasibility of completing the Turkey Point Units 6 & 7 project, as provided for in Rule 25-6.0423, F.A.C?**

FPL: On April 27, 2016, FPL filed a Petition for Waiver of Rule 25-6.0423(6)(c)5, Florida Administrative Code. As a result, FPL did not file

a quantitative feasibility analysis. FPL's qualitative review is reasonable and continues to support the project. (Scroggs)

On Jun 17, 2016, FPL filed a Motion to Defer Consideration of Issues and Cost Recovery. In the event that FPL's Motion is not approved, FPL will revise its position on this issue by the time of the Prehearing Conference or by such later time as may be permitted by the Prehearing Officer.

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

FPL: The overnight capital cost estimate range is \$3,940/kW to \$5,729/kW. When time-related costs such as inflation and carrying costs are included, and CODs of 2027 and 2028 are assumed, the total project non-binding cost estimate range is \$13.7 to \$20.0 billion for the 2,200 MW project. (Scroggs)

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

FPL: FPL's current Level 1 baseline schedule includes in-service dates for Turkey Point Units 6 & 7 of June 2027 and June 2028, respectively. FPL intends to update its project schedule when the first wave of new nuclear construction projects (i.e., Georgia Power Company's Vogtle project and South Carolina Electric & Gas's Summer project) are complete. (Scroggs)

Issue 8: **Should the Commission find that FPL's 2015 project management, contracting, accounting and cost oversight controls were reasonable and prudent for the Turkey Point Units 6 & 7 project?**

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

Issue 9: **What jurisdictional amounts should the Commission approve as FPL’s actual 2015 prudently incurred costs and final true-up amounts for the Turkey Point Units 6 & 7 project?**

FPL: In 2015, FPL incurred a total of \$19,771,813 (including Initial Assessment costs) in Turkey Point 6 & 7 project costs. The Commission should approve this total amount as prudently incurred. For cost recovery purposes, the Commission should approve FPL’s final 2015 Preconstruction expenditures of \$17,309,494 (jurisdictional, excluding Initial Assessment costs), and the final 2015 true-up amount of (\$1,328,727). The Commission also should approve actual 2015 Preconstruction carrying charges of \$6,668,729 and the resulting true-up amount of \$22,171; and actual 2015 Site Selection carrying charges of \$160,088 and the resulting true-up amount of \$345. FPL’s 2015 expenditures were supported by comprehensive procedures, processes and controls that help ensure those expenditures were prudent. The net 2015 jurisdictional true-up amount of (\$1,306,211) should be included in FPL’s 2017 NCR amount.

FPL’s 2015 expenditures were supported by comprehensive procedures, processes and controls which help ensure that costs are prudently incurred. (Scroggs, Grant-Keene)

Issue 10: **What jurisdictional amounts should the Commission approve as reasonably estimated 2016 costs and estimated true-up amounts for FPL’s Turkey Point Units 6 & 7 project?**

FPL: In 2016, FPL’s total actual/estimated Turkey Point 6 & 7 costs are \$25,147,152 (including Initial Assessment costs). The Commission should approve this total amount as reasonable. For cost recovery purposes, the Commission should approve FPL’s actual/estimated 2016 Preconstruction expenditures of \$22,856,719 (jurisdictional, excluding Initial Assessment costs). This results in an actual/estimated 2016 true-up of \$1,799,409 (jurisdictional). The Commission also should approve FPL’s 2016 actual/estimated Preconstruction carrying charges of \$7,139,510 and resulting true-up of (\$483,011); and 2016 actual/estimated Site Selection carrying charges of \$159,777 and resulting true-up of \$189. The net 2016 true up amount of \$1,316,588 should be included in FPL’s 2017 NCR amount.

FPL’s 2016 actual/estimated expenditures are supported by comprehensive procedures, processes and controls which help ensure that these costs are reasonable. (Scroggs, Grant-Keene)

Issue 11: **What jurisdictional amounts should the Commission approve as reasonably projected 2017 costs for FPL’s Turkey Point Units 6 & 7 project?**

FPL: The Commission should approve as reasonable FPL’s 2017 projected Preconstruction costs of \$14,254,550 (jurisdictional). The Commission also should approve for recovery projected Preconstruction carrying charges of \$7,656,172, and projected Site Selection carrying charges of \$159,949. The total jurisdictional amount of \$22,070,672 should be included in FPL’s 2017 NCR amount.

FPL’s 2017 projected expenditures are supported by comprehensive procedures, processes and controls which help ensure that these costs are reasonable. (Scroggs, Grant-Keene)

Issue 12: **What is the total jurisdictional amount to be included in establishing FPL’s 2017 Capacity Cost Recovery Clause factor?**

FPL: The total jurisdictional amount of \$22,081,049 should be included in establishing FPL’s 2017 CCRC factor. (Grant-Keene)

V. STIPULATED ISSUES

There are no stipulated issues at this time.

VI. PENDING MOTIONS

Motion Document No.	Date	Description
03821-16	6/17/2016	Motion to defer consideration of issues and cost recovery

VII. PENDING REQUESTS FOR CONFIDENTIAL CLASSIFICATION

Request Document No.	Date	Description
04023-16	6/27/2016	Request for confidential classification of revised Schedule T7-A
02707-16	05/04/2016	First request for extension of confidential classification of [DN 04981-14] Audit Control No. 14-01-001 work papers
02708-16	05/04/2016	Second request for extension of confidential classification of [DNs 07486-10, 07507-10, and 07525-10] testimony provided in 2010 hearing
02657-16	05/02/2016	First request for extension of confidential classification of [DN 05718-12] supplemental Jones testimony and Exh TOJ-28
02620-16	04/29/2016	First request for extension of confidential classification of Audit Control No. 12-010-4-1 workpapers [DN

		04013-12]
02621-16	04/29/2016	First request for extension of confidential classification of Audit Control No. 12-010-4-2 [DN 04112-12]
02537-16	04/27/2016	Request for confidential classification of [DN 02539-16] Exh SDS-7
01107-16	03/01/2016	Request for confidential classification of [DN 01108-16] Exh SDS-1
07247-15	11/13/2015	First request for extension of confidential classification of Audit [Control No.] 08-248-4-1 work papers. [DN 08646-09]
03675-15	06/16/2015	Request for confidential classification of [DN 03676-15] Audit Report [No.] PA 15-01-002

VIII. OBJECTIONS TO WITNESSES' QUALIFICATIONS

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

IX. REQUIREMENTS OF THE PREHEARING ORDER THAT CANNOT BE MET

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

Respectfully submitted this 30th day of June, 2016.

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**CERTIFICATE OF SERVICE
DOCKET NO. 150009-EI**

I HEREBY CERTIFY that a true and correct copy of FPL's Prehearing Statement was served by electronic mail this 30th day of June, 2016 to the following:

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