

State of Florida



# Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

**-M-E-M-O-R-A-N-D-U-M-**

**DATE:** August 6, 2008  
**TO:** Office of Commission Clerk  
**FROM:** Keino Young, Senior Attorney *KY*  
 Office of General Counsel  
**RE:** Docket No. 080009-EI - Nuclear cost recovery clause.

RECEIVED FPSC  
 18 AUG -6 PM 3:15  
 COMMISSION  
 CLERK

Attached for filing in the above-referenced docket are the original and six copies of the Direct Testimony of KATHY L. WELCH, on behalf of Commission Staff.

KY/tfw  
Attachment

COM 5+1  
 ECR \_\_\_\_\_  
 GCL \_\_\_\_\_  
 OPC \_\_\_\_\_  
 RCP \_\_\_\_\_  
 SSC \_\_\_\_\_  
 SGA \_\_\_\_\_  
 ADM \_\_\_\_\_  
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DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

*DOCKET NO. 080009-EI: Nuclear cost recovery clause for Florida Power & Light Company*

*WITNESS: Direct Testimony Of Kathy L. Welch, Appearing On Behalf Of Staff*

*DATE FILED: August 6, 2008*

DOCUMENT NUMBER-DATE

06908 AUG-6 8

FPSC-COMMISSION CLERK

DIRECT TESTIMONY OF KATHY L. WELCH

1  
2 **Q. Please state your name and business address.**

3 A. My name is Kathy L. Welch and my business address is 3625 N.W. 82nd Ave.,  
4 Suite 400, Miami, Florida, 33166.

5  
6 **Q. By whom are you presently employed and in what capacity?**

7 A. I am employed by the Florida Public Service Commission as a Public Utilities  
8 Supervisor in the Division of Regulatory Compliance.

9  
10 **Q. How long have you been employed by the Commission?**

11 A. I have been employed by the Florida Public Service Commission since June, 1979.

12  
13 **Q. Briefly review your educational and professional background.**

14 A. I have a Bachelor of Business Administration degree with a major in accounting  
15 from Florida Atlantic University and a Masters of Adult Education and Human Resource  
16 Development from Florida International University. I have a Certified Public Manager  
17 certificate from Florida State University. I am also a Certified Public Accountant licensed  
18 in the State of Florida, and I am a member of the American and Florida Institutes of  
19 Certified Public Accountants. I was hired as a Public Utilities Analyst I by the Florida  
20 Public Service Commission in June of 1979. I was promoted to Public Utilities  
21 Supervisor on June 1, 2001.

22  
23 **Q. Please describe your current responsibilities.**

24 A. Currently, I am a Public Utilities Supervisor with the responsibilities of  
25 administering the District Office and reviewing work load and allocating resources to

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FPSC-COMMISSION CLERK

1 complete field work and issue audit reports when due. I also supervise, plan, and conduct  
2 utility audits of manual and automated accounting systems for historical and forecasted

3

4 **Q. Have you presented testimony before this Commission or any other**  
5 **regulatory agency?**

6 **A.** Yes. I have testified in several cases before the Florida Public Service  
7 Commission. Exhibit KLW-1 lists these cases.

8

9 **Q. What is the purpose of your testimony today?**

10 **A.** The purpose of my testimony is to sponsor the staff audit reports of Florida Power  
11 & Light Company (FPL or Utility) which address the Utility's application for nuclear cost  
12 recovery. We issued three audit reports on FPL in this docket. The first audit report was  
13 issued May 28, 2008 to address the 2007 power uprate costs for the Turkey Point and St.  
14 Lucie nuclear power plants. This audit report is filed with my testimony and is identified  
15 as Exhibit KLW-2. The second audit report is a supplemental report to the power uprate  
16 report and was issued July 31, 2008. This audit report is filed with my testimony and is  
17 identified as Exhibit KLW-3. The third audit report was issued July 30, 2008 to address  
18 the 2007 pre-construction costs and site selection costs for Turkey Point 6 & 7. This audit  
19 report is filed with my testimony and is identified as Exhibit KLW-4.

20

21 **Q. Were these audits prepared by you or under your direction?**

22 **A.** Yes, I was the audit manager in charge of these audits.

23

24 **Q. Please describe the work you performed in these audits.**

25 **A.** For the uprate audits, we reviewed all entries in the general ledger accounts and

1 reconciled them to the filing and we reviewed FPL's internal audit report of the uprate  
2 issued July 24, 2008. We judgmentally selected a sample that included the high dollar  
3 items and an assortment of the various vendors charged to the project and traced the  
4 sample to source documentation. For payroll, we obtained a list of all employees working  
5 on the uprate and reviewed where several employees charged their payroll in 2006 to  
6 determine if their salaries were already recovered through base rates. For charges from  
7 FPL affiliates, we obtained supporting documentation for the actual payroll, the overhead  
8 rates charged, and travel costs. In addition, we reviewed the rates charged by non-  
9 affiliated companies to determine if FPL was charged the lower of cost or market. For  
10 vouchers charged, we compared the amounts paid to the contractor to the supporting  
11 invoices. We toured the plant and interviewed personnel about plant due to be retired and  
12 replaced before the uprate was scheduled. We reviewed the plans for the outages and  
13 compared the plans to the previously scheduled maintenance work to determine if there  
14 were duplicates. For the journal entries charged, we compared the accruals to amounts  
15 paid in 2008. We traced the jurisdictional factor to supporting documentation and the  
16 ownership allocation percentages to supporting documentation.

17 For the new plants, Turkey Point 6 & 7, we reviewed all entries in the work  
18 orders for site selection and pre-construction costs and reconciled them to the filing. We  
19 judgmentally selected a sample that included the high dollar items and an assortment of  
20 the various vendors charged to the project and traced the sample to source documentation.  
21 For payroll, we obtained a list of all employees working on the new nuclear plants and  
22 reviewed where several employees charged their payroll in 2005 to determine if their  
23 salaries were recovered through base rates. (FPL began paying site selection costs in  
24 2006, so we compared these costs to payroll in 2005.) For charges from FPL affiliates,  
25 we obtained supporting documentation for the actual payroll and the overhead rates

1 charged. For vouchers charged, we compared the amounts paid to the contractor to the  
2 supporting invoices. We toured the plant and interviewed personnel. For the journal  
3 entries charged, we compared the accruals to amounts paid in 2008. We traced the  
4 jurisdictional factor to supporting documentation and the ownership allocation  
5 percentages to supporting documentation. We recalculated carrying charges and  
6 compared the calculation to Commission rule 25-6.0423, Florida Administrative Code.

7  
8 **Q. Please review the audit findings in the first audit report, KLW-2, which**  
9 **addresses the 2007 power uprate costs for the Turkey Point and St. Lucie nuclear**  
10 **power plants.**

11 **A. Audit Finding No. 1**

12 Audit Finding No. 1 discusses payroll. FPL charged \$353,286.91 in payroll costs  
13 to the nuclear uprate. Some of the employees were former Seabrook employees and  
14 therefore the associated payroll was not recovered through FPL's base rates. Some  
15 employee payroll costs were charged to capital projects the previous year and thus not  
16 recovered through base rates. Some employees were replaced by new staff so that they  
17 could work on the project. Some, however, were FPL employees and their payroll costs  
18 were recovered through base rates in the prior year. In April 2008, the utility removed  
19 \$49,790.98 of the above salaries because they were already recovered in base rates. The  
20 amount is still included in the 2007 filing but will be reduced in 2008. Since carrying  
21 charges were not added in 2007, there should be no adverse effect of making the  
22 adjustment in 2008.

23 The salary of an additional employee (\$3,351.71 charged to the uprate) also  
24 should have been removed because the employee costs had not been charged to capital  
25 projects in 2006 and was not replaced. FPL has stated that it will adjust this out in May

1 2008.

2 Another employee has not been replaced yet, but FPL plans to replace him. The  
3 salary charged to the uprate for him in 2007 was \$18,056.59. Until he is replaced, his  
4 salary is still in base rates and should be removed. FPL has stated that it will adjust this  
5 out in May 2008 also.

6 **Audit Finding No. 2**

7 Audit Finding No. 2 discusses affiliate overhead. Florida Power and Light Energy  
8 (FPLE) Seabrook Station charged FPL for two employees that were assigned to the  
9 Extended Power Uprate Feasibility Study. In 2007, \$30,657.08 of salary was charged to  
10 the FPL uprate. FPLE charged 77.37% in overhead to the base salary. The overhead  
11 consists of 36.85% of non-productive charges. This loaded rate is then charged with  
12 payroll benefits and a space allocation. The non-productive rate includes sick time,  
13 vacation time, etc. and is based on FPLE non-productive pay code costs divided by total  
14 payroll costs.

15 Affiliate transactions should be charged to the utility at the lower of cost or  
16 market. The range of rates of FPLE employees with overhead, excluding travel, was less  
17 than the rate of the outside contractor. We traced actual costs to payroll detail and expense  
18 reports. It appears that the FPLE employee rates are in compliance with the Commission  
19 rule.

20 **Audit Finding No. 3**

21 Audit Finding No. 3 discusses retirements. FPL will be incurring costs for new  
22 equipment and charging it to this clause long before the removal of old equipment during  
23 the outages. After the outages, several pieces of equipment will be retired and several  
24 may be sold for salvage. The retirements and salvage should be used to offset the costs  
25 reflected in this filing. This may cause a negative true-up after the outages. FPL needs to

1 maintain detailed records of the items removed, retired, and sold. FPL should develop a  
2 methodology for recording these items.

3 **Audit Finding No. 4**

4 Audit Finding No. 4 discusses an over-accrual. The utility made several accruals  
5 at the end of 2007 for items ordered prior to the end of the year. The following chart  
6 shows the amount accrued compared to the actual support provided for the amount paid in  
7 2008 related to these accruals.

8	<i>VENDOR</i>	<i>ACCRUAL</i>	<i>SUPPORT</i>	<i>DIFFERENCE</i>
9			<i>PROVIDED</i>	
10	Areva	310,000.00	251,912.43	58,087.57
11	Shaw, Stone & Webster	590,000.00	515,348.26	74,651.74
12	Shaw, Stone & Webster	590,000.00	540,944.56	49,055.44

13 The Areva difference was not re-accrued because it was below the accrual  
14 threshold. Therefore, it was reversed in January 2008 and was not booked again until it  
15 was actually paid. As of December 31, 2007, the accruals overstate the expenses by  
16 \$181,794.75.

17 **Audit Finding No. 5**

18 Audit Finding No. 5 discusses transformers at the end of the useful life. An  
19 engineering evaluation for the extended power uprate project for St. Lucie Units 1 and 2  
20 discusses the main transformer. The report states: "Based on their relatively long lives to  
21 date together with a relatively more troublesome operating lifetime condition history,  
22 replace the PSL Unit 2 MT's (Main Transformer) with new units. This plan to replace  
23 these two MTs is considered especially appropriate when considering that these relatively  
24 old units would, with the Extended Power Uprate (EPU), be loaded to their highest ever  
25 MVA levels at a time when end-of-useful-life is, by all industry measures, already



1 approaching.” Based on this report, it appears that the transformers may have needed to  
2 be replaced even if Florida Power and Light was not doing the uprate. An FPL  
3 representative has responded that the transformers have 10 more years of useful life.  
4

5 **Q. Please review the audit findings in the second audit report, KLW-3, which**  
6 **addresses the 2007 power uprate costs for the Turkey Point and St. Lucie nuclear**  
7 **power plants.**

8 **A. Audit Finding No. 1**

9 Audit Finding No. 1 in the supplemental audit report for the uprate addresses an  
10 internal audit report issued July 24, 2008. This internal audit report addresses costs  
11 charged to the nuclear uprate. The results of the internal audit are addressed in Exhibit  
12 KLW-3, Finding No. 1.  
13

14 **Q. Please review the audit findings in the third audit report, KLW-4, which**  
15 **addresses the 2007 pre-construction costs and site selection costs for Turkey Point 6**  
16 **& 7.**

17 **A. Audit Finding No. 1**

18 Audit Finding No. 1 discusses payroll. Payroll of \$823,172.29 was charged to site  
19 selection and \$274,267.94 to pre-construction costs. Some of the employees were FPLE  
20 employees and therefore the costs were not recovered through FPL’s base rates. Some  
21 employees’ payroll costs were charged to capital projects the previous year and thus not  
22 recovered through base rates. Some employees were replaced by new staff so that they  
23 could work on the project. Some, however, were FPL employees and their payroll costs  
24 were recovered through base rates in the prior year. In the 2007 filing, the utility removed  
25 \$127,529.37 of the above salaries because they were already recovered in base rates. An

1 additional amount of \$32,450.43 still needs to be removed from 2007. The amount is still  
2 included in the 2007 filing but adjusted in 2008 and will reduce the 2008 costs. The  
3 remaining amount is immaterial and should not have a major impact on carrying charges  
4 which were only computed for three months in 2007.

5 **Audit Finding No. 2**

6 Audit Finding No. 2 discusses affiliate overhead. Florida Power and Light Energy  
7 (FPLE) charged FPL for four employees that were assigned to the Turkey Point 6 & 7  
8 project. Affiliate transactions should be charged to the utility at the lower of cost or  
9 market. The range of rates of FPLE employees with overhead, excluding travel, was less  
10 than the rate of the outside contractor. We traced actual costs to payroll detail and expense  
11 reports. It appears that the FPLE employee rates are in compliance with the Commission  
12 rule.

13 **Audit Finding No. 3**

14 Audit Finding No. 3 discusses relocation costs and signing bonuses. FPL paid  
15 relocation costs and signing bonuses to attract new employees to work on the nuclear  
16 project. FPL reversed a portion of the signing bonus expense and will be amortizing it  
17 monthly to the project over the commitment period. The remaining bonus will be  
18 reversed in July 2008 because of an internal transfer of the position in June 2008.

19

20 **Q. Does that conclude your testimony?**

21 **A. Yes.**

22

23

24

25

*DOCKET NO. 080009-EI*: Nuclear cost recovery clause for Florida Power & Light Company

*WITNESS*: **Direct Testimony Of Kathy L. Welch**, Appearing On Behalf Of Staff

*EXHIBIT KLW-1*: History of Testimony Provided by Kathy L. Welch

- In re: Application for approval of rate increase in Lee County by Tamiami Village Utility, Inc., Docket No. 910560-WS
- In re: Application for transfer of territory served by Tamiami Village Utility, Inc. in Lee County to North Fort Myers Utility, Inc., cancellation of Certificate No. 332-S and amendment of Certificate 247-S; and for a limited proceeding to impose current rates, charges, classifications, rules and regulations, and service availability policies, Docket No. 940963-SU
- In re: Application for a rate increase by General Development Utilities, Inc. (Port Malabar Division) in Brevard County, Docket No. 911030-WS
- In re: Dade County Circuit Court referral of certain issues in Case No. 92-11654 (Transcall America, Inc. d/b/a ATC Long Distance vs. Telecommunications Services, Inc., and Telecommunications Services, Inc. vs. Transcall America, Inc. d/b/a ATC Long Distance) that are within the Commission's jurisdiction, Docket No. 951232-TI
- In re: Application for transfer of Certificates Nos. 404-W and 341-S in Orange County from Econ Utilities Corporation to Wedgefield Utilities, Inc., Docket No. 960235-WS
- In re: Application for increase in rates and service availability charges in Lee County by Gulf Utility Company, Docket No. 960329-WS
- In re: Fuel and purchased power cost recovery clause and generating performance incentive factor, Docket No. 010001-EI
- In re: Application for staff-assisted rate case in Highlands County by The Woodlands of Lake Placid, L.P., Docket No. 020010-WS
- In re: Application for rate increase in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida, Docket No. 020071-WS
- In re: Petition for issuance of a storm recovery financing order, by Florida Power & Light Company, Docket No. 060038-EI

*DOCKET NO. 080009-EI*: Nuclear cost recovery clause for Florida Power & Light Company

*WITNESS*: **Direct Testimony Of Kathy L. Welch**, Appearing On Behalf Of Staff

*EXHIBIT KLW-2*: Audit Report for 2007 power uprate costs for the Turkey Point and St. Lucie nuclear power plants (Redacted)



**FLORIDA PUBLIC SERVICE COMMISSION**

***DIVISION OF REGULATORY COMPLIANCE AND  
CONSUMER ASSISTANCE  
BUREAU OF AUDITING***

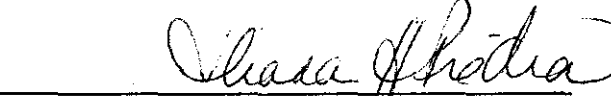
***Miami District Office***

**Florida Power and Light Company  
Nuclear Uprate Cost Recovery Clause**

**Twelve Months Ended December 31, 2007**

**DOCKET #080009-EI  
AUDIT CONTROL NO. 08-065-4-1**

  
\_\_\_\_\_  
***Kathy L. Welch***  
***Audit Manager***

  
\_\_\_\_\_  
***Iliana Piedra***  
***Accounting Specialist***

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**DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE  
AUDITOR'S REPORT**

**May 23, 2007**

**TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED  
PARTIES**

We have performed the procedures enumerated later in this report to meet the agreed upon objectives set forth by the Division of Economic Regulation in its audit service request. We have applied these procedures to the attached schedules prepared by Florida Power and Light Company in support of its nuclear uprate filing, Docket Number 080009-EI.

This audit is performed following general standards and field work standards found in the AICPA Statements on Standards for Attestation Engagements. This report is based on agreed upon procedures which are only for internal Commission use.



## OBJECTIVES AND PROCEDURES:

**Objective:** To verify that the filing amounts agree with the general ledger.

**Procedure:** We scheduled all increases in the general ledger accounts and reconciled them to the filing.

**Objective:** To review the construction costs on the T schedules for compliance with Section 366.93 of the Florida Statutes and Chapter 25-6.0423 F.A.C.

**Procedure:** We read the Statute and the rule. We obtained an Excel file of all the charges made to the filing. We reconciled the filing to the Excel file. We sorted the file by both dollar and vendors and selected a sample that included the high dollar items and an assortment of the various vendors charged to the project. We traced the sample to source documentation.

For payroll, we also obtained all employees working on the uprate and reviewed where several employees charged their payroll in 2006 to determine if their salaries were already charged to base rates. The utility made an adjustment in 2008 to remove some of these salaries. See finding one for more information on payroll.

For charges from FPL affiliates, we obtained source documentation for the actual payroll, supporting documentation for the overhead rates charged, and supporting documentation for travel costs. In addition, we obtained from FPL the rates charged by non-affiliate companies to determine if they were charged the lower of cost or market. Audit finding two discusses the affiliate overhead.

For vouchers charged, we compared the amounts paid to the contractor to the supporting invoices. We toured the plant and questioned personnel about plant due to be retired and replaced before the uprate was scheduled. Audit finding five discusses plant that was already at the end of its useful life. Audit finding three discusses treatment of future retirements. We reviewed the plans for the outages and compared them to the previously scheduled maintenance work to determine if there were duplicates.

For the journal entries charged we reviewed the accruals to amounts paid in 2008. Audit finding four discusses these accrual entries. We traced the jurisdictional factor to supporting documentation and the ownership allocation percents to supporting documentation.

**AUDIT FINDING NO. 1**

**SUBJECT: PAYROLL**

**STATEMENT OF FACTS:** Payroll of \$353,286.91 was charged to the nuclear uprate. Some of the employees were former Seabrook employees and therefore not in Florida Power and Light's base rates. Some employees were charged to capital projects the previous year and thus not in base rates. Some employees were replaced by new staff so that they could work on the project. Some, however, were Florida Power and Light employees who would have been included in expenses used to determine base rates during the last rate case. In April 2008, the utility removed \$49,790.98 of the above salaries because they were already recovered in base rates. The amount is still included in the 2007 filing but will reduce the 2008 costs. Since carrying charges were not added in 2007, there should be no adverse effect of making the adjustment in 2008.

An additional employee whose pay charged to the uprate was \$3,351.71, also should have been included in base rates because the employee had not been charged to capital projects in 2006 and was not replaced. FPL will adjust this out in May 2008.

Another employee has not been replaced yet but they do plan to replace him. The salary charged to the uprate for him in 2007 was \$18,056.59. Until he is replaced, his salary is still in base rates and should be removed. FPL will adjust this out in May 2008 also.

**EFFECT ON THE GENERAL LEDGER:** This finding is for informational purposes only.

**EFFECT ON THE FILING:** This finding is for informational purposes only.

**AUDIT FINDING NO. 2**

**SUBJECT: AFFILIATE OVERHEAD**

**STATEMENT OF FACTS:** Florida Power and Light Energy (FPLE) Seabrook Station charged FPL for two employees that were assigned to the Extended Power Uprate Feasibility Study. In 2007, \$30,657.08 of salary was charged to the FPL uprate. FPLE charged 77.37% in overhead to the base salary. The overhead consists of 36.85% of non-productive charges. This loaded rate is then charged with payroll benefits of 17.26% and a space allocation of 12.33%.

The non-productive rate consists of 14.48% for sick time, vacation time, etc. and is based on FPLE non-productive pay code costs divided by total payroll costs. Twenty two and a half percent relates to incentive payments. The employees' total pay was compared to the base pay and it does appear that incentive pay did increase the employees total pay by a substantial percent.

FPLE also charged expenses for travel of \$24,522.47 and for a charge from an outside contractor of \$6,300. The invoices for these expenses were reviewed and no problems were found.

Affiliate transactions should be charged to the utility at the lower of cost or market. The rate of TSSD, an outside contractor, was [REDACTED] an hour. The rates of FPLE employees with overhead and excluding travel ranged from [REDACTED] to [REDACTED] which was less than the rate of the outside contractor. Actual costs were traced to payroll detail and expense reports.

**EFFECT ON THE GENERAL LEDGER:** This finding is for informational purposes only.

**EFFECT ON THE FILING:** This finding is for informational purposes only.

**AUDIT FINDING NO. 3**

**SUBJECT: RETIREMENTS**

**STATEMENT OF FACTS:** Florida Power and Light will be incurring costs for new equipment and charging it to this clause long before the removal of old equipment during the outages. After the outages, several pieces of equipment will be retired and several may be sold for salvage. The retirements and salvage should be used to offset the costs recorded in this filing. This may cause a negative true-up after the outages. FPL needs to maintain detailed records of the items removed, retired, and sold. A methodology for recording these items should be determined.

**EFFECT ON THE GENERAL LEDGER:** This finding is for informational purposes only.

**EFFECT ON THE FILING:** This finding is for informational purposes only.

**AUDIT FINDING NO. 4**

**SUBJECT: OVER-ACCRUAL**

**STATEMENT OF FACTS:** The utility made several accruals at the end of 2007 for items ordered prior to the end of the year. The following chart shows the amount accrued compared to the actual support provided for the amount paid in 2008 related to these accruals.

<i>VENDOR</i>	<i>ACCRUAL</i>	<i>SUPPORT PROVIDED</i>	<i>DIFFERENCE</i>
Areva	310,000.00	251,912.43	58,087.57
Shaw, Stone & Webster PTN	590,000.00	515,348.26	74,651.74
Shaw, Stone & Webster PSL	590,000.00	540,944.56	49,055.44
	<u>1,490,000.00</u>	<u>1,308,205.25</u>	<u>181,794.75</u>

The Areva difference was not re-accrued because it was below the accrual threshold. Therefore, it was reversed in January 2008 and was not booked again until it was actually paid.

**EFFECT ON THE GENERAL LEDGER:** This finding is for informational purposes only.

**EFFECT ON THE FILING:** This finding is for informational purposes only.

**AUDIT FINDING NO. 5**

**SUBJECT: TRANSFORMERS AT THE END OF USEFUL LIFE**

**STATEMENT OF FACTS:** An engineering Evaluation for the extended power uprate project for St. Lucie Units 1 and 2 discusses the main transformer. The report states:

*"Based on their relatively long lives to date together with a relatively more troublesome operating lifetime condition history, replace the PSL Unit 2 MT's (Main Transformer) with new units. This plan to replace these two MTs is considered especially appropriate when considering that these relatively old units would, with the EPU, be loaded to their highest ever MVA levels at a time when end-of-useful-life is, by all industry measures, already approaching."*

Based on this report, it appears that the transformers may have needed to be replaced even if Florida Power and Light was not doing the uprate.

An FPL representative has responded that the transformers have 10 more years of useful life. They have been asked to provide support for this assertion to the analyst.

**EFFECT ON THE GENERAL LEDGER:** This finding is for informational purposes only.

**EFFECT ON THE FILING:** This finding is for informational purposes only.

## COMPANY EXHIBITS

**St. Lucie and Turkey Point Uprate Project  
Retail Revenue Requirements Summary**

Schedule T-1 (True-up)

[Section (5)(c)1.a.]

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: Florida Power & Light Company

DOCKET NO.: 08 \_\_\_\_\_-EI

EXPLANATION: Provide the calculation of the actual true-up of total retail revenue requirements based on actual expenditures for the current year and the previously filed expenditures for such current year.

For the Year Ended 12/31/2007

Line No.	(A) Actual January	(B) Actual February	(C) Actual March	(D) Actual April	(E) Actual May	(F) Actual June	(G) 6 Month Total
Jurisdictional Dollars							
1.	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2.	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3.	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4.	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5.	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6.	\$0	\$0	\$0	\$0	\$0	\$0	\$0
7.	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8.	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Note 1: The costs associated with the uprate project were included in Account 183, Preliminary Survey and Investigation Charges for the period July 2007 through December 2007. On January 7, 2008, the Commission issued Order No. PSC-08-0021-FOF-EI approving FPL's need determination for the uprates. In that Order the Commission determined that Rule No. 25-6.0423, F.A.C. is applicable to the costs of the expansion of the Turkey Point and St. Lucie Nuclear Power Plants (uprate project). As a result of the issuance of this Order, in January 2008 these costs were transferred to Construction Work in Progress account 107. Therefore no carrying charges are reflected in 2007 for recovery.

Docket No. 080009-EI  
Audit Report for FPL Uprate - Redacted  
Exhibit KLV-2 (Page 11 of 13)



**St. Lucie and Turkey Point Uprate Project  
Retail Revenue Requirements Summary**

Schedule T-1 (True-up)

[Section (5)(c)1.a.]

FLORIDA PUBLIC SERVICE COMMISSION

EXPLANATION: Provide the calculation of the actual true-up of total retail revenue requirements based on actual expenditures for the current year and the previously filed expenditures for such current year.

For the Year Ended 12/31/2007

COMPANY: Florida Power & Light Company

DOCKET NO.: 08 \_\_\_\_\_-E1

Line No.		(H)	(I)	(J)	(K)	(L)	(M)	(N)
		Actual July	Actual August	Actual September	Actual October	Actual November	Actual December	12 Month Total
Jurisdictional Dollars								
1.	Preconstruction Revenue Requirements (Schedule T-2, line 7)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2.	Construction Carrying Cost Revenue Requirements (Schedule T-3, line 7)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3.	Recoverable O&M Revenue Requirements (Schedule T-4, line 14)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4.	DTA Carrying Cost (Schedule T-3A, line 9)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5.	Other Adjustments	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6.	Total Period Revenue Requirements (Lines 1 through 5)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
7.	Total Return Requirements from most recent Projections	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8.	Difference (Line 6 - Line 7)	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Note 1: The costs associated with the uprate project were included in Account 183, Preliminary Survey and Investigation Charges for the period July 2007 through December 2007. On January 7, 2008, the Commission issued Order No. PSC-08-0021-FOF-E1 approving FPL's need determination for the uprates. In that Order the Commission determined that Rule No. 25-6.0423, F.A.C. is applicable to the costs of the expansion of the Turkey Point and St. Lucie Nuclear Power Plants (uprate project). As a result of the issuance of this Order, in January 2008 these costs were transferred to Construction Work in Progress account 107. Therefore no carrying charges are reflected in 2007 for recovery.

Docket No. 080009-E1  
Audit Report for FPL Uprate - Redacted  
Exhibit KLV-2 (Page 12 of 13)

St. Lucie and Turkey Point Uprate Project  
Monthly Expenditures

Schedule T-6 (True-up)

Section (5)(c)1.a.)  
Section (8)(d)

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: Florida Power & Light Company

DOCKET NO.: 08 -EI

EXPLANATION:

Provide the actual monthly expenditures by major tasks performed within Site Selection, Preconstruction and Construction categories for the prior year.

For the Year Ended 12/31/2007

Description	(A) Actual January	(B) Actual February	(C) Actual March	(D) Actual April	(E) Actual May	(F) Actual June	(G) Actual July	(H) Actual August	(I) Actual September	(J) Actual October	(K) Actual November	(L) Actual December	(M) 12 Month Total
<b>1 Preliminary Survey &amp; Investigation Charges (Account 183)</b>													
<b>2 Generation:</b>													
3 License Application													
4 Engineering & Design							163,348	50,467	68,526	25,288	22,438	27,083	357,150
5 Permitting													
6 Project Management										981	8,081	5,881,467	5,700,529
7 Clearing, Grading and Excavation								872	5,962	1,662	72,492	275,678	356,485
8 On-Site Construction Facilities								75,838	84,903	68,120	122,501	227,098	578,428
9 Power Block Engineering, Procurement, etc.													
10 Non-Power Block Engineering, Procurement, etc.													
11 Total Generation Costs										3,267	1,203,046	425,611	1,631,924
12 Participants Credits PSL Unit 2							163,348	126,978	158,411	99,317	1,428,558	6,646,904	8,624,518
13 OUC													
14 FMPA							(2,963)	(2,186)	(3,557)	(1,982)	(39,447)	(94,338)	(144,453)
15 Total Participants credits							(4,285)	(3,161)	(5,143)	(2,820)	(57,045)	(136,421)	(208,691)
16 Total Generation Costs net of participants credits							156,100	121,831	150,711	84,519	1,332,066	6,418,145	8,271,172
17													
18													
19 Jurisdictional Factor													
20 Total Jurisdictional Generation Costs							0.9958265	0.9958265	0.9958265	0.9958265	0.9958265	0.9958265	0.9958265
21							155,448	121,123	150,082	84,124	1,326,507	6,389,367	8,236,652
22													
23 <b>Transmission:</b>													
24 Line Engineering													
25 Substation Engineering													
26 Clearing													
27 Other													
28 Total Transmission Costs													
29													
30 Jurisdictional Factor													
31 Total Jurisdictional Transmission Costs													
32													
33													
34 Total Jurisdictional Preliminary Survey & Investigation charges:							155,448	121,123	150,082	84,124	1,326,507	6,389,367	8,236,652
35													
36 <b>Construction:</b>													
37 <b>Generation:</b>													
38 Real Estate Acquisitions													
39 Project Management													
40 Permanent Staff/Training													
41 Site Preparation													
42 On-Site Construction Facilities													
43 Power Block Engineering, Procurement, etc.													
44 Non-Power Block Engineering, Procurement, etc.													
45 Total Generation Costs													
46													
47 Jurisdictional Factor													
48 Total Jurisdictional Generation Costs													
49													
50													
51 <b>Transmission:</b>													
52 Line Engineering													
53 Substation Engineering													
54 Real Estate Acquisition													
55 Line Construction													
56 Substation Construction													
57 Other													
58 Total Transmission Costs													
59													
60 Jurisdictional Factor													
61 Total Jurisdictional Transmission Costs													
62													
63 Total Jurisdictional Construction Costs													
64													

Note 1: The costs associated with the uprate project were included in Account 183, Preliminary Survey and Investigation Charges for the period July 2007 through December 2007. On January 7, 2008, the Commission issued Order No. PSC-08-0021-FDP-EI approving FPL's need determination for the uprates. In that Order the Commission determined that Rule No. 25-6.0423, F.A.C. is applicable to the costs of the expansion of the Turkey Point and St. Lucie Nuclear Power Plants (uprate project). As a result of the issuance of this Order, in January 2008 these costs were transferred to Construction Work in Progress account 107. Therefore no carrying charges are reflected in 2007 for recovery.

*DOCKET NO. 080009-EI*: Nuclear cost recovery clause for Florida Power & Light Company

*WITNESS*: **Direct Testimony Of Kathy L. Welch**, Appearing On Behalf Of Staff

*EXHIBIT K LW-3*: Supplemental Audit Report for 2007 power uprate costs for the Turkey Point and St. Lucie nuclear power plants (Redacted)



**FLORIDA PUBLIC SERVICE COMMISSION**

*DIVISION OF REGULATORY COMPLIANCE AND  
CONSUMER ASSISTANCE  
BUREAU OF AUDITING*

*Miami District Office*

**Florida Power and Light Company  
Supplemental Report  
Nuclear Uprate Cost Recovery Clause**

**Twelve Months Ended December 31, 2007**

**DOCKET #080009-EI  
AUDIT CONTROL NO. 08-065-4-1**

A handwritten signature in cursive script, reading "Kathy L. Welch".

*Kathy L. Welch  
Audit Manager*

A handwritten signature in cursive script, reading "Denise Vandiver".

*Denise Vandiver  
Bureau Chief*

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**DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE  
SUPPLEMENTAL AUDITOR'S REPORT**

**July 28, 2008**

**TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED  
PARTIES**

We have performed the procedures enumerated later in this report to meet the agreed upon objectives set forth by the Division of Economic Regulation in its audit service request. We have applied these procedures to the schedules attached to the original audit report issued May 28, 2008 prepared by Florida Power and Light Company in support of its nuclear uprate filing, Docket Number 080009-EI.

This audit is performed following general standards and field work standards found in the AICPA *Statements on Standards for Attestation Engagements*. This report is based on agreed upon procedures which are only for internal Commission use.

**OBJECTIVES AND PROCEDURES:**

**Objective:** To review the construction costs on the T schedules for compliance with Section 366.93 of the Florida Statutes and Chapter 25-6.0423 F.A.C.

**Procedure:** We have reviewed the internal audit report of the uprate issued July 24, 2008.

**AUDIT FINDING NO. 1**

**SUBJECT: INTERNAL AUDIT FINDINGS**

**STATEMENT OF FACTS:**

**CONFIDENTIAL**

**EFFECT ON THE GENERAL LEDGER:** FPL has corrected its ledger.

**EFFECT ON THE FILING:** This finding is for informational purposes only.



*DOCKET NO. 080009-EI*: Nuclear cost recovery clause for Florida Power & Light Company

*WITNESS*: **Direct Testimony Of Kathy L. Welch**, Appearing On Behalf Of Staff

*EXHIBIT KLW-4*: Audit Report for 2007 pre-construction costs and site selection costs for Turkey Point 6 & 7 (Redacted)



**FLORIDA PUBLIC SERVICE COMMISSION**

*DIVISION OF REGULATORY COMPLIANCE AND  
CONSUMER ASSISTANCE  
BUREAU OF AUDITING*

*Miami District Office*

**Florida Power and Light Company  
Turkey Point 6 & 7 Cost Recovery Clause**

**Twelve Months Ended December 31, 2007**

**DOCKET #080009-EI  
AUDIT CONTROL NO. 08-087-4-1**

A handwritten signature in cursive script, appearing to read "Kathy L. Welch".

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**Kathy L. Welch  
Audit Manager**

A handwritten signature in cursive script, appearing to read "Iliana Piedra".

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**Iliana Piedra  
Accounting Specialist**

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**DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE  
AUDITOR'S REPORT**

July 24, 2007

**TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED  
PARTIES**

We have performed the procedures enumerated later in this report to meet the agreed upon objectives set forth by the Division of Economic Regulation in its audit service request. We have applied these procedures to the attached schedules prepared by Florida Power and Light Company in support of its nuclear filing for Turkey Point Six and Seven, Docket Number 080009-EI.

This audit is performed following general standards and field work standards found in the AICPA Statements on Standards for Attestation Engagements. This report is based on agreed upon procedures which are only for internal Commission use.

**OBJECTIVES AND PROCEDURES:**

**Objective:** To verify that the filing amounts agree with the general ledger.

**Procedure:** We scheduled all increases in the general ledger accounts and reconciled them to the filing.

**Objective:** To review the construction costs on the AE schedules for compliance with Section 366.93 of the Florida Statutes and Chapter 25-6.0423 F.A.C.

**Procedure:** We read the Statute and the rule. We obtained an Excel file of all the charges made to the filing. We reconciled the filing to the Excel file. We sorted the file by both dollar and vendors and selected a sample that included the high dollar items and an assortment of the various vendors charged to the project. We traced the sample to source documentation.

For payroll, we also obtained all employees working on the new nuclear plants and reviewed where several employees charged their payroll in 2005 to determine if their salaries were already charged to base rates. The utility made an adjustment in 2007 and another in 2008 to remove some of these salaries. See finding one for more information on payroll.

For charges from FPL affiliates, we obtained source documentation for the actual payroll, and supporting documentation for the overhead rates charged. Audit finding two discusses the affiliate overhead.

For vouchers charged, we compared the amounts paid to the contractor to the supporting invoices. We toured the plant and questioned personnel. For the journal entries charged we reviewed the accruals to amounts paid in 2008. We traced the jurisdictional factor to supporting documentation and the ownership allocation percents to supporting documentation. Audit finding three discusses relocation costs and signing bonuses.

We recalculated carrying charges and reviewed the calculation to the rule.

We reviewed the internal audit on the uprate and have filed a supplemental audit report for the uprate.

**AUDIT FINDING NO. 1**

**SUBJECT: PAYROLL**

**STATEMENT OF FACTS:** Payroll of \$823,172.29 was charged to site selection and \$274,267.94 to pre-construction costs. Some of the employees were FP LE employees and therefore not in Florida Power and Light's base rates. Some employees were charged to capital projects the previous year and thus not in base rates. Some employees were replaced by new staff so that they could work on the project. Some, however, were Florida Power and Light employees who would have been included in expenses used to determine base rates during the last rate case. In the 2007 filing, the utility removed \$127,529.37 of the above salaries because they were already recovered in base rates. An additional amount of \$32,450.43 still needs to be removed from 2007. The amount is still included in the 2007 filing but adjusted in 2008 and will reduce the 2008 costs. The remaining amount is immaterial and should not have a major impact on carrying charges which were only computed for three months in 2007.

**EFFECT ON THE GENERAL LEDGER:** This finding is for informational purposes only.

**EFFECT ON THE FILING:** This finding is for informational purposes only.

**AUDIT FINDING NO. 2**

**SUBJECT: AFFILIATE OVERHEAD**

**STATEMENT OF FACTS:** FPL Energy (FPLE) charged FPL for four employees that were assigned to the Turkey Point 6 & 7 project. Three were general counsel employees and one was the director of construction. In 2007, [REDACTED] of salary and overhead was charged to the site selection work order and [REDACTED] to the pre-construction work order. FPLE charged [REDACTED] in overhead to the base salary. The overhead includes [REDACTED] of non-productive charges. This loaded rate is then charged with payroll benefits of [REDACTED] and a space allocation of [REDACTED] %.

The non-productive rate consists of [REDACTED] % for sick time, vacation time, etc. and is based on FPLE non-productive pay code costs divided by total payroll costs. Incentive payments account for [REDACTED] % of the non-productive costs.

The pay rates of FPLE employees including overhead ranged from \$ [REDACTED] to \$ [REDACTED]. Actual costs were traced to payroll detail and expense reports. These rates were less than comparable rates with outside vendors.

**EFFECT ON THE GENERAL LEDGER:** This finding is for informational purposes only.

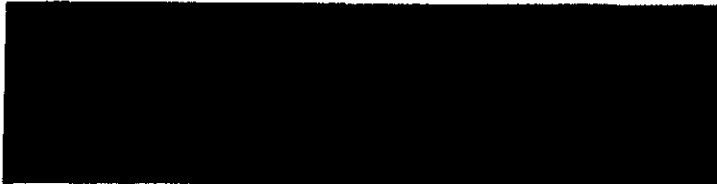
**EFFECT ON THE FILING:** This finding is for informational purposes only.

**AUDIT FINDING NO. 3**

**SUBJECT: RELOCATION COSTS AND SIGNING BONUS**

**STATEMENT OF FACTS:** FPL has paid relocation costs and signing bonuses to attract new employees to work on the nuclear project.

The relocation costs charged in 2007 are:



The signing bonuses in 2007 were:



FPL has reversed the \$ [REDACTED] signing bonus and will be amortizing it monthly to the project over the commitment period. The \$ [REDACTED] bonus will be reversed in July 2008 because of an internal transfer of the position in June 2008.

**EFFECT ON THE GENERAL LEDGER:** This finding is for informational purposes only.

**EFFECT ON THE FILING:** This finding is for informational purposes only.



## COMPANY EXHIBITS

**Turkey Point Units 6&7**  
**Pre-Construction Costs and Carrying Costs on Construction Cost Balance**  
**Actual & Estimated Filing: Retail Revenue Requirements Summary**

[Section (5)(c)1.b.]

Schedule AE-1 (Actual/Estimated)

FLORIDA PUBLIC SERVICE COMMISSION  
 COMPANY: FLORIDA POWER & LIGHT COMPANY  
 DOCKET NO.: 080009-EI

EXPLANATION: Provide the calculation of the actual/estimated true-up of total retail revenue requirements based on actual/estimated expenditures for the current year and the previously filed expenditures for such current year.

For the Year Ended 12/31/2007

Witness: Kim Ousdah

Line No.	(H) Actual July	(I) Actual August	(J) Actual September	(K) Actual October	(L) Actual November	(M) Actual December	(N) 12 Month Total
Jurisdictional Dollars							
1.	\$0	\$0	\$0	\$0	\$1,389,231	\$1,154,016	\$2,543,248
2.	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3.	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4.	\$0	\$0	\$0	\$0	(\$2)	(\$7)	(\$8)
5.	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6.	\$0	\$0	\$0	\$0	\$1,389,230	\$1,154,010	\$2,543,239
7.	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8.	\$0	\$0	\$0	\$0	\$1,389,230	\$1,154,010	\$2,543,239

(a) Effective With the filing of our need petition on October 16, 2007 pre-construction began.

**Turkey Point Units 6&7**  
**Pre-Construction Costs and Carrying Costs on Construction Cost Balance**  
**Actual & Estimated Filing: Deferred Tax Carrying Costs**

Schedule AE-3A (Actual/Estimated)

[Section (5)(c)1.b.]

FLORIDA PUBLIC SERVICE COMMISSION

EXPLANATION:

Provide the calculation of the Actual/Estimated deferred tax Carrying Costs for the current year.

COMPANY: FLORIDA POWER & LIGHT COMPANY

For the Year Ended 12/31/2007

DOCKET NO.: 080009-EI

Witness: Kim Ousdahl

Line No.	(I) Beginning of Period	(J) Actual July	(K) Actual August	(L) Actual September	(M) Actual October	(N) Actual November	(O) Actual December	(P) 12 Month Total	
Jurisdictional Dollars									
1.		\$0	\$0	\$0	\$0	\$0	\$0	\$0	
2.		\$0	\$0	\$0	\$0	\$0	\$0	\$0	
3.		\$0	\$0	\$0	\$0	(\$904)	(\$2,206)	(\$3,109)	
4.		\$0	\$0	\$0	\$0	(\$904)	(\$3,109)	(\$3,109)	
5.	Deferred Tax Asset DTA/(DTL) on Tax Basis in Excess of Book (Line 4 * Tax Rate)	38.575%	\$0	\$0	\$0	\$0	(\$348)	(\$1,199)	(\$1,199)
6.	a. Average Accumulated DTA/(DTL)		\$0	\$0	\$0	\$0	(\$174)	(\$774)	
	b. Prior months cumulative Return on DTA/(DTL)		\$0	\$0	\$0	\$0	\$0	(\$2)	(\$8)
	c. Average DTA/(DTL) including prior period return subtotal		\$0	\$0	\$0	\$0	(\$174)	(\$776)	
7.	Carrying Cost on DTA/(DTL)								
	a. Equity Component (Line 7b * .61425) (a)		\$0	\$0	\$0	\$0	(\$1)	(\$4)	(\$4)
	b. Equity Comp. grossed up for taxes (Line 6 c * 0.007439034) (a) (b) (c)		\$0	\$0	\$0	\$0	(\$1)	(\$6)	(\$7)
	c. Debt Component (Line 6 c x 0.001325847) (c)		\$0	\$0	\$0	\$0	(\$0)	(\$1)	(\$1)
8.	Total Return Requirements ( Line 7b + 7c)		\$0	\$0	\$0	\$0	(\$2)	(\$7)	(\$8)
9.	Total Return Requirements from most recent Projections		\$0	\$0	\$0	\$0	\$0	\$0	
10.	Difference (Line 8 - Line 9)		\$0	\$0	\$0	\$0	(\$2)	(\$7)	(\$8)

(a) The monthly Equity Component reflects an 11% return on equity.

(b) Requirement for the payment of income taxes is calculated using a Federal Income Tax rate of 35% and a state income tax rate of 5.5%

(c) In order to gross up the equity component for taxes a monthly rate of 0.007439034 (Equity) and 0.001325847 (Debt), results in the annual pre-tax rate of 11.04%

(d) Other Adjustment represents the book tax expense deduction related to the debt component of the carrying charge calculated on AE-2, line 5c

**Turkey Point Units #&7**  
**Pre-Construction Costs and Carrying Costs on Construction Cost Balance**  
**Actual & Estimated Filing: Monthly Expenditures**

(Section (5)(c)1.b.)

Schedule AE-8 (Actual/Estimated)

(Section (6)(d))

FLORIDA PUBLIC SERVICE COMMISSION

EXPLANATION:

Provide the actual/estimated monthly expenditures by major tasks performed within Pre-Construction categories for the current year. All Site Selection costs also included in Pre-Construction costs must be identified.

COMPANY: FLORIDA POWER & LIGHT COMPANY

For the Year Ended 12/31/2007

DOCKET NO.: 080009-EI

Witness: Kim Ousdahl and Steven D. Scroggs

Line No.	Description	(A) Actual January	(B) Actual February	(C) Actual March	(D) Actual April	(E) Actual May	(F) Actual June	(G) Actual July	(H) Actual August	(I) Actual September	(J) Actual October	(K) Actual November	(L) Actual December	(M) 2 Month Actual
1														
2	<b>Pre-Construction:</b>													
3	<b>Generation:</b>													
4	Licensing											1,224,813	792,586	
5	Permitting											184,442	351,642	
6	Engineering and Design													
7	Long lead procurement advanced payments													
8	Power Block Engineering and Procurement													
9	<b>Total Generation Costs</b>											1,389,065	1,144,210	
10	Jurisdictional Factor											0.9958265	0.9958265	
11	<b>Total Jurisdictional Generation Costs</b>											1,383,258	1,139,435	
12	<b>Less Adjustments</b>													
13	Non-Cash Accruals											25,913	561,214	
14	Other Adjustments (b)											(5,633)	(6,711)	
15	<b>Total Adjustments</b>											20,280	552,503	
16	Jurisdictional Factor											0.9958265	0.9958265	
17	<b>Total Jurisdictional Adjustments</b>											20,195	550,197	
18	<b>Total Jurisdictional Generation Costs Net of Adjustments</b>											1,363,062	589,237	
19														
20														
21	<b>Transmission:</b>													
22	Line Engineering													
23	Substation Engineering													
24	Clearing													
25	Other													
26	<b>Total Transmission Costs</b>													
27	Jurisdictional Factor													
28	<b>Total Jurisdictional Transmission Costs</b>													
29	<b>Less Adjustments</b>													
30	Non-Cash Accruals													
31	Other Adjustments													
32	<b>Total Adjustments</b>	0	0	0	0	0	0	0	0	0	0	0	0	0
33	Jurisdictional Factor													
34	<b>Total Jurisdictional Adjustments</b>													
35	<b>Total Jurisdictional Transmission Costs Net of Adjustments</b>													
36														
37	<b>Total Jurisdictional Pre-Construction Costs</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,363,062	\$589,237	\$1,812,300
38														
39														
40	<b>Construction:</b>													

N/A- At this stage, construction has not commenced in the project.

Page 1 of 1

(a) Effective with the filing of our need petition on October 16, 2007 pre-construction began.

(b) Other Adjustments include Pension & Welfare Benefit credit.

	November	December	Total
Pre-Construction	\$ (5,633)	\$ (6,711)	\$ (14,344)
Jurisdictional Factor	0.9958265	0.9958265	0.9958265
	\$ (5,610)	\$ (6,676)	\$ (14,286)

**Turkey Point Units 6&7**  
**Site Selection Costs and Carrying Costs on Site Selection Cost Balance**  
**Actual & Estimated Filing: Retail Revenue Requirements Summary**

**REVISED**  
 [Section (5)(c)1 b]

FLORIDA PUBLIC SERVICE COMMISSION  
 COMPANY: FLORIDA POWER & LIGHT COMPANY  
 DOCKET NO.: 080009-EI

EXPLANATION: Provide the calculation of the actual/estimated true-up of total retail revenue requirements based on actual/estimated expenditures for the current year and the previously filed expenditures for such current year.

For the Year Ended 12/31/2007

Witness: Kim Ousdahl

Line No.	(H) Actual July	(I) Actual August	(J) Actual September	(K) Actual October	(L) Actual November	(M) Actual December	(N) 12 Month Total
Jurisdictional Dollars							
1. Site Selection Revenue Requirements (Schedule AE-2, Line 7) (a)	\$0	\$0	\$0	\$6,408,290	\$73,778	\$57,192	\$6,539,261
2. Construction Carrying Cost Revenue Requirements (Schedule AE-3, line 7)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3. Recoverable O&M Revenue Requirements (Schedule AE-4, line 24)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4. DTA/DTL Carrying Cost (Schedule AE-3A, line 8)	\$0	\$0	\$0	(\$7)	(\$29)	(\$58)	(\$94)
5. Other Adjustments	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6. Total Period Revenue Requirements (Lines 1 through 5)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$6,408,283</u>	<u>\$73,749</u>	<u>\$57,134</u>	<u>\$6,539,167</u>
7. Total Return Requirements from most recent Projections	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8. Difference (Line 6 - Line 7)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$6,408,283</u>	<u>\$73,749</u>	<u>\$57,134</u>	<u>\$6,539,167</u>

(a) The costs associated with site selection for the Turkey Point Units 6&7 project were included in Account 183, Preliminary Survey and Investigation Charges, for the period April 2006 through October 2007. Effective with the filing of our need petition on October 16, 2007, all costs were transferred to Construction Work in Progress, Account 107, and site selection costs ceased.

**Note: Summary of all changes to the 2007 Site Selection Schedules**

**CPI Exclusion:** In the 5/2008 filing, FPL calculated the production period of a unit of tangible property to begin on the first date by which the taxpayer's accumulated production expenditures, including planning and design expenditures, are at least 5 percent of the taxpayer's total estimated accumulated production expenditures for the unit of property. After careful analysis of Internal Revenue Code §263A(f) and Treasury Regulation §1.263A-12, FPL determined that Turkey Point 6 & 7 project qualifies as real property. Real property is subject to capitalization of CPI once physical construction begins. Site Selection costs are not deemed to be physical construction activities, as such, CPI should not have been calculated for these costs.

**Total Impact to Revenue Requirements line 6 due to CPI Exclusion:**

**Site Selection**

	5/2008 filing	Adjusted	Difference - Decrease
2007 Site Selection (Schedule AE-1, Line 6)	6,539,498	6,539,167	(331)

**Turkey Point Units 6&7**  
**Site Selection Costs and Carrying Costs on Site Selection Cost Balance**  
**Actual & Estimated Filing: Deferred Tax Carrying Costs**

REVISED  
 [Section (5)(c)1.b.]

Schedule AE-3A (Actual/Estimated)

FLORIDA PUBLIC SERVICE COMMISSION  
 COMPANY: FLORIDA POWER & LIGHT COMPANY  
 DOCKET NO.: 080009-EI

EXPLANATION: Provide the calculation of the Actual/Estimated deferred tax Carrying Costs for the current year.

For the Year Ended 12/31/2007

Witness: Kim Ousdahl

Line No.	(I) Beginning of Period	(J) Actual July	(K) Actual August	(L) Actual September	(M) Actual October	(N) Actual November	(O) Actual December	(P) 12 Month Total
Jurisdictional Dollars								
1.		\$0	\$0	\$0	\$0	\$0	\$0	\$0
2.		\$0	\$0	\$0	\$0	\$0	\$0	\$0
3.		\$0	\$0	\$0	(\$4,257)	(\$8,564)	(\$8,651)	(\$21,473)
4.		\$0	\$0	\$0	(\$4,257)	(\$12,822)	(\$21,473)	(\$21,473)
5.	38.575%	\$0	\$0	\$0	(\$1,642)	(\$4,946)	(\$8,283)	(\$8,283)
6. a.		\$0	\$0	\$0	(\$821)	(\$3,294)	(\$6,615)	
b.		\$0	\$0	\$0	\$0	(\$7)	(\$36)	(\$94)
c.		\$0	\$0	\$0	(\$821)	(\$3,301)	(\$6,651)	
7.								
a.		\$0	\$0	\$0	(\$4)	(\$15)	(\$30)	(\$49)
b.		\$0	\$0	\$0	(\$6)	(\$25)	(\$49)	\$80
c.		\$0	\$0	\$0	(\$1)	(\$4)	(\$9)	\$14
8.		\$0	\$0	\$0	(\$7)	(\$29)	(\$58)	(\$94)
9.		\$0	\$0	\$0	\$0	\$0	\$0	\$0
10.		\$0	\$0	\$0	(\$7)	(\$29)	(\$58)	(\$94)

- (a) The monthly Equity Component reflects an 11% return on equity.
- (b) Requirement for the payment of income taxes is calculated using a Federal Income Tax rate of 35% and a state income tax rate of 5.5%.
- (c) In order to gross up the equity component for taxes a monthly rate of 0.007439034 (Equity) and 0.001325847 (Debt), results in the annual pre-tax rate of 11.04%
- (d) Other Adjustment represents the book tax expense deduction related to the debt component of the carrying charge calculated on AE-2, line 5c.

**Note:**

**CPI Exclusion:** In the 5/2008 filing, FPL calculated the production period of a unit of tangible property to begin on the first date by which the taxpayer's accumulated production expenditures, including planning and design expenditures, are at least 5 percent of the taxpayer's total estimated accumulated production expenditures for the unit of property. After careful analysis of Internal Revenue Code §263A(f) and Treasury Regulation §1.263A-12, FPL determined that Turkey Point 6 & 7 project qualifies as real property. Real property is subject to capitalization of CPI once physical construction begins. Site Selection costs are not deemed to be physical construction activities, as such, CPI should not have been calculated for these costs.

**Total Impact to Revenue Requirements line 8 due to CPI Exclusion:**

Site Selection	5/2008 filing	Adjusted	Difference - Decrease
2007 Site Selection (Schedule AE-3A, Line 8)	237	(94)	(331)

Turkey Point Units 6&7  
 Site Selection Costs and Carrying Costs on Site Selection Cost Balance  
 Actual & Estimated Filing: Monthly Expenditures

[Section (5)(c)1.b.]  
 [Section (5)(d)]

Schedule AE-6 (Actual/Estimated)

FLORIDA PUBLIC SERVICE COMMISSION  
 COMPANY: FLORIDA POWER & LIGHT COMPANY  
 DOCKET NO.: 080009-EI

EXPLANATION:

Provide the actual/estimated monthly expenditures by major tasks performed within Site Selection categories for the current year. All Site Selection costs also included in Pre-Construction costs must be identified.

For the Year Ended 12/31/2006

Witness: Kim Ousdehl and Steven D. Soroggs

Line No.	Description	(A) Actual January	(B) Actual February	(C) Actual March	(D) Actual April	(E) Actual May	(F) Actual June	(G) Actual July	(H) Actual August	(I) Actual September	(J) Actual October	(K) Actual November	(L) Actual December	(M) 12 Month Total
<u>Preliminary Survey &amp; Investigation Charges (Account 183)</u>														
1	Site Selection:													
2	Project Staffing				4,039	11,900	34,032	33,635	60,521	88,680	81,219	68,774	59,877	442,876
3	Engineering					15,571	80,247	220,993	214,840	217,425	589,875	481,857	276,947	2,077,555
4	Environmental Services								40	40		89,086	24,307	113,473
5	Legal Services								7,030		3,970	11,807	(425)	22,482
6	Total Site Selection Costs:				4,039	27,471	114,279	254,827	282,431	306,145	674,864	631,824	360,706	2,656,186
7	Jurisdictional Factor				0.0958099	0.0958099	0.0958099	0.0958099	0.0958099	0.0958099	0.0958099	0.0958099	0.0958099	0.0958099
8	Total Jurisdictional Site Selection Costs				4,022	27,355	113,800	253,561	281,248	304,862	672,036	629,577	356,193	2,645,056

(a) The costs associated with site selection costs for the Turkey Point Units 6&7 project were included in Account 183, Preliminary Survey and Investigation Charges, for the period April 2006 through October 2007. In October 2007, these costs were transferred to Construction Work in Progress, Account 107