REDACTED

EXHIBIT B

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 110009-EI

In re: Nuclear Cost Recovery Clause.
_____/

REDACTED

CONFIDENTIAL TRANSCRIPT

TELEPHONE DEPOSITION OF:	TERRY O. JONES
TAKEN ON BEHALF OF:	Office of Public Counsel
DATE:	June 22, 2011
TIME:	Commenced at 9:34 a.m. Concluded at 4:57 p.m.
LOCATION:	700 Universe Boulevard Juno Beach, Florida
REPORTED BY:	MARY ALLEN NEEL, RPR, FPR Notary Public, State of Florida at Large

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I N D E X

PROCEEDINGS

The following deposition was taken on oral examination, pursuant to notice, for purposes of discovery, for use as evidence, and for such other uses and purposes as may be permitted by the applicable and governing rules. Reading and signing of the deposition transcript by the witness was not waived.

* * *

THE NOTARY: My name is Annette Givens, and I am a notary duly appointed and commissioned here in the State of Florida.

Terry Jones, in the matter of Nuclear Cost Recovery Clause by Florida Power & Light, Docket No. 110009-EI, do you solemnly swear that the testimony you're about to give is the truth, the whole truth, and nothing but the truth?

THE WITNESS: Yes.

Thereupon,

TERRY O. JONES

the witness herein, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. McGLOTHLIN:

Q. Please state your name and business address for the record, sir.

A. My name is Terry Jones. My business address is 700 Universe Boulevard, Juno Beach, Florida.

Q. Mr. Jones, my name is Joe McGlothlin. You and I have met before. I represent the Office of Public Counsel in this case, and I have some questions for you that relate to your prefiled testimony in this docket.

You've been deposed before, have you not, sir?

A. I'm sorry. I missed the last part of that question.

Q. Have you been deposed in the past?

A. Yes.

Q. Then you're familiar with the procedure. If at any point you don't understand my question, please inform me of that so that we can work on it to the point that you are comfortable that you're clear on what's being asked of you. Will you do that for me?

A. Yes.

Q. I want to begin with a question that relates to your May 2011 testimony. I'll give you a moment to turn to page 7.

A. May 2011 testimony, page 7.

Q. Yes. At line 22, Mr. Jones, you say that FPL has amended its EPC contract to include a target price, and my question relates to that statement. But I would like for you to begin by describing for me the overall

nature of the contract and the approach of the contract. And specifically, for example, is it based primarily on compensating the contractor on the basis of time and materials?

MR. ANDERSON: Let's pause. We don't have a problem with the question, but our testimony does not line up with what you said there, Joe.

MR. McGLOTHLIN: Well, we've had one other instance of a difference in pagination, but give me a moment.

THE WITNESS: Joe, line 22 for me starts with the word "target price, better aligning FPL's and Bechtel's project goals."

BY MR. McGLOTHLIN:

Q. Well, you're very close to the area I'm asking about, so I'll give you a moment to look at the larger paragraph in context, and I think we can work from there.

A. If you're asking me to read that paragraph, I've read the paragraph.

Q. All right. And in that paragraph, do you testify that FPL has amended the EPC contract to include a target price?

A. That is correct.

Q. And in terms of the overall nature of the

contract, do I understand correctly that basically FPL compensates Bechtel on the basis of time and materials?

A. That is correct. The Bechtel contract is a time and material contract with a provision for target pricing, [redacted]

Q. I'll follow up with that in a moment, but when we talk about a contract that's based on time and materials, does that mean that the contract specifies hourly rates, and then the compensation is a function of those hourly rates and the hours that the contractor devotes to the task?

A. The contract does specify hourly rates, [redacted]. Field non-manual is just a way of saying hours spent on the project other than craft, like design engineering hours, for example.

Q. Now, a portion of the tasks that are

encompassed by this contract relates to the identification of modifications that surface in the course of design engineering; is that correct?

A. I'm not sure I -- I don't understand your question. Could you rephrase it or repeat it?

Q. I'll try. The project is currently in what is described as the design engineering phase; correct?

A. It's in a couple of phases. One would be still in the -- it's in the design engineering phase, and it's also in the planning and implementation phase. Those are happening in parallel.

Q. All right. And as part of the design engineering phase, do the parties identify modifications that must be performed as part of the overall EPU project?

A. Yes, that's correct.

Q. What does the EPC contract envision with respect to the contract for the construction of those modifications?

A. I want to make sure I understand your question. Are you asking me what does the contract envision the construction to be in relationship to the modification?

Q. And specifically, on what basis will the contractor be paid with respect to the performance of

the construction of the modifications?

A. I understand the question. The contract is structured such that for the construction portion of the project, it's based on -- it is time and material. It has a provision for target price that, for a scope of work, if the two parties agree to a target price, then the target price is established for that scope of work.

[redacted]

[redacted]

Q. I believe you answered my question, but let me just follow up to make sure. With respect to the construction of the modifications, the compensation will be a function of time and materials as opposed to, for instance, separate bids for those projects; correct?

A. [redacted]

[redacted]

The further you get into -- let me pause there. There are a handful of modifications that we did not authorize Bechtel to perform the design engineering. Our evaluation was that there were other engineering firms that had performed work for us that could do that work more efficiently, and we in fact gave that work to those vendors.

The other part of that is, another example would be that for supplemental maintenance, we have contracts with other vendors to perform work such as, say, insulation or asbestos abatement or logistics support. And certainly we have some of that work parsed out to some of those competitors, because, again, with their familiarity with the site and their track record in performing that work, [redacted]

Now, I wanted to go back to a statement I started to make. As you get further into these projects

and the complexity of the project, there's a disadvantage to having too many cooks in the kitchen, and we have to be very prudent in what work we hand off and not have the unintended consequences of diluting Bechtel's responsibility and accountability for the performance of the project.

Q. Let's say hypothetically that you identify a task or a project and decide that you're going to allow entities other than Bechtel to bid for that. In that instance, would Bechtel also be permitted to bid, or is the contract its bid?

A. Bechtel would provide their detailed estimate for what it would take to perform that scope of work, and we would compare that to what a competitor would say that that work could be done for.

Let me take that even a step further, in that [redacted] So in our view, if there's a subcontractor that is very proficient in a particular type of work -- for example, the connection between the main generator to the main transformer that transmits the power out to the yard, that connection is referred to as an isophase bus, and there's a special vendor that does that work for a living. We required

[redacted]

Q. You mentioned in an earlier answer that the [redacted]

A. [redacted]

Q. Would you elaborate on that distinction? You've anticipated my next question. On the one hand, you described a target price, and then you used the term "total installed cost." What is the difference?

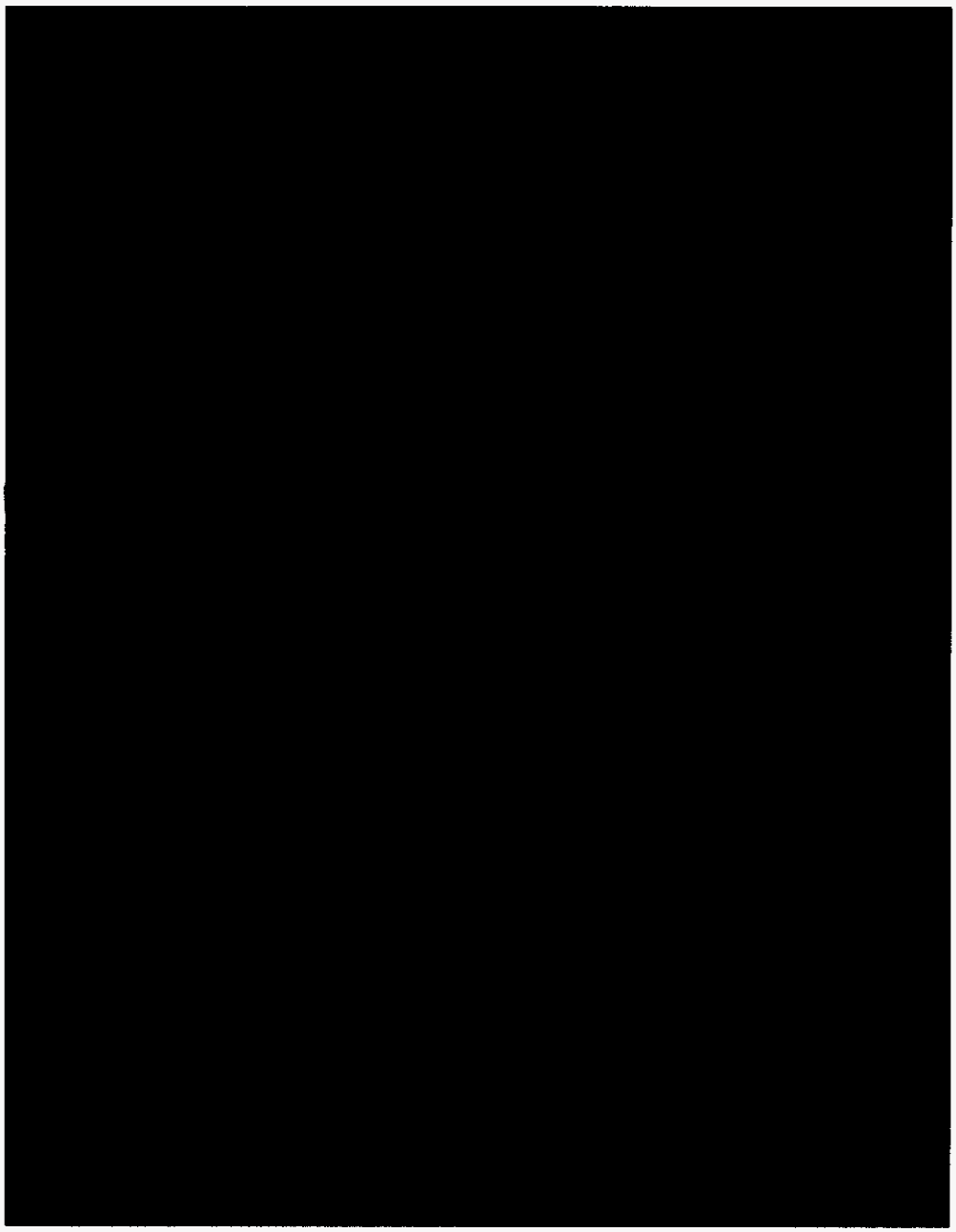
A. The difference is that the total installed cost is -- I sound redundant. I'm answering the question with the answer. It is the total installed cost, in that -- let's say, for example, that Bechtel

had estimated 30,000 hours to replace feedwater heaters -- that's a totally made-up number -- and it's a well-vetted estimate, and we agree to that as the target price, so it's well defined. And let's say that it takes them 2,000 hours longer to do the work, but there was no scope change. [redacted]

[redacted]

So why would -- let me explain how that -- what the push and the pull is then between our company and why we have people directly managing Bechtel and providing oversight. Bechtel would obviously -- let's just set that name aside. It doesn't matter. Any EPC that's on the target price would want an exact scope definition, and if there was any scope addition, because there's an incentive tied to the target price, they would want the target price always to be adjusted to exactly reflect a change in scope. That way, they're not penalized in the incentive category for performing their work exactly as planned.

That's only fair. [redacted]



price. Does that make sense?

Q. That's helpful. I'm still not completely clear on how you're using the two terms, target price and total installed cost. Let me ask a question that

might get at it.

As you stated in an earlier answer, as the design engineering process goes forward, FPL and the contractor identify modifications that must be constructed and implemented as part of the overall EPU project; correct?

A. That's correct.

Q. Let's focus on a single such modification. Under the EPC contract and under the process that you've described, would FPL enter a separate contract specific to that individual modification?

A. [redacted]

Q. [redacted]

A. [redacted]

Q. Well, let me modify my earlier question. Does the target price apply to the overall EPU contract as

defined by the identified scope at a point in time?

A. I think the answer to that question is yes. The target price is the agreed-upon price for the scope of work at the time that we froze the date, so to speak, for the modifications that had been identified up to that point.

Q. Then how does the total installed cost, as you are using that term, differ from the target price, as you defined it a moment ago, for purposes of the EPC contract?

A. For the purpose of the EPC vendor that you entered into the target price negotiation and discussion with, the total installed cost and the target price are the same the day that you set it.

Q. All right. That answers my question.

A. Unless you set something aside. [redacted]

[redacted]

Q. I'm going to change subjects, and I'll ask you to look at -- again, this is the May testimony, page 33.

A. I'm on page 33.

Q. And based on my copy, at lines 6 through 8 or thereabouts, you should see this statement. You refer

to the approximately 50 percent completion of the design modification phase of the project, which represents approximately 625,000 hours of 940,000 hours of this phase, as of April of 2011. Do you see that statement?

A. Yes, I do.

Q. And just so I'll understand any nuance with respect to differences in terminology, you use the word "design modification" there. Is that the same as design engineering?

A. Yes, it is.

Q. How did you calculate the 50 percent that appears in your testimony?

A. We looked at the number of earned hours on the design engineering relative to the forecast of hours to go for design engineering and came up with approximately 50 percent completion.

Q. What are earned hours?

A. Earned hours are a way of measuring the progress of engineering work on construction, and that would be that if it takes ten hours to complete five calculations, if that's what the estimate is from an engineering perspective, you don't -- even if you worked, say, 15 hours to complete those 10 calculations, you earned 10 hours on the project. You may have expended 15, but you earned only 10. Similarly, if you

completed it in eight hours, you expended eight, but you earned 10 hours on your forecast.

So we used that to measure productivity in engineering. You look at the forecasted hours on a modification-by-modification basis. And we track the actual hours, and we track actual progress by looking at the state of the deliverable and how far along that modification is to come up with the earned hours, the actual ratio.

Q. Okay. I understand then that the earned hours concept relates to a measure of productivity. Is that different than an assessment that is based upon the degree to which modifications have been completed?

A. No. It's actually -- it's actually a measure to know how complete a design modification is. In a design modification, let's say, that someone wants to complete, for example, there are, depending on the complexity, hundreds of thousands of steps. So we establish interim milestones and measurements along that design modification process.

Q. Let me ask you to look at FPL's answer to OPC's Interrogatory No. 50. That's in OPC's Sixth Set of Interrogatories.

A. Okay. I'm there.

MR. McGLOTHLIN: I'm going to provide a copy

of this to the court reporter and ask her to mark it as Exhibit 1 to the deposition.

(Deposition Exhibit Number 1 was marked for identification.)

BY MR. McGLOTHLIN:

Q. You'll see in the -- let me just read for the record the question. "Please refer to Exhibit TOJ-17. Please break down the PCM standards numbers by Turkey Point 3, Turkey Point 4, St. Lucie 1, and St. Lucie 2." First all, what does the acronym "PCM" mean?

A. Plant change modification.

Q. So a single PCM would correspond to one of the individual modifications that we've described in earlier questions and answers; correct?

A. Yes. It's a design engineering package. That would be the industry generic term.

Q. And you'll see in -- first of all, did you supply the answer to this interrogatory, Mr. Jones?

A. This answer was prepared under my direction.

Q. Okay. You'll see that the information provided is as of April 18, 2011; correct?

A. That's correct.

Q. And I'm looking at the right-hand column captioned "Final." And at the bottom of that table, there's a percent which I understand to mean the overall

percent of PCMs, and it says the final completion is 31 percent. Do you see that?

A. Yes, I do.

Q. Would you explain for me any differences between the 31 percent that's calculated and reported here in response to Interrogatory 50 and the 50 percent figure that you include in your testimony?

A. Yes. This answers a very specific question with regards to the status of the design modification packages. So that 31 percent, as you'll note, is in the column titled "Final," which means of the total number of design modification packages that have been identified as of that date, only 31 percent of that total number of modification packages is complete.

Design modification packages are not equal. Some design modification packages take 500 hours of engineering. Some take 10,000 engineering man-hours to complete. And so we have a number of tools that we use to determine where we are in progress and productivity.

So this is another way to look at how many of the modification packages are across the finish line and ready for construction estimates. And that's very important to us, because we're doing these in sequence, and we need the modification packages for the first outage first as opposed to the modification package for

the second outage.

Q. I think I understand. Let me ask a couple of questions that will effectively read back to you what I believe what you told me to make sure that I understand.

As I understand your answer, the response to Interrogatory No. 50 indicates that of the 209 different modifications, 31 percent of those 209 modifications have reached the final stage of design engineering; is that correct?

A. Yes, 31 percent of the 209 packages are final and approved.

Q. And the other packages which have not reached a state of completion are at various stages of completion, and this reports the number that are at 30 percent and 90 percent; correct?

A. That is correct.

Q. And then in your testimony, you say approximately 50 percent of design engineering has been accomplished. But that 50 percent takes into account not only those individual items that are final and complete, but also those that are at various stages of completion; is that correct?

A. That is correct.

Q. You would agree with me, wouldn't you, sir, that a modification must be completed before procurement

can begin and implementation can begin?

A. No, I do not agree.

Q. Okay. On what basis do you disagree?

A. I disagree. With some engineering done, I can develop a procurement spec and procure a long-lead item without the design modification package being at 90 percent or even final. In some cases, it might even be at 30 percent.

Q. So you're disagreeing with my earlier question related to the procurement aspect of it. You would agree that you can't construct and implement a modification until the design engineering has been completed; correct?

A. I disagree with that as well.

Q. On what basis?

A. You can start the plan and construction at risk before the design modification is complete.

Q. Explain how that would work.

A. The way that would work is, you would spec it out, rough out some drawings, issue procurement specs, say, for structural steel. You would give preliminary information to construction planners, who would take that and produce work instructions at risk. Between the construction organization and engineering organization, they have the ability to say, "Well, we know for certain

that this I-beam is going to have to go here, and we're going to need concrete pads at this location and this location and this location," and so you can proceed at risk doing that. There is less than a 1 percent chance that we would have to rework that or change that.

And so that would allow you, again, with all the appropriate project management approvals, to start that procurement, start that construction at risk -- and we have a process that controls that -- and allow the further details of the structural modification, conduit runs, cable pulls, to proceed in parallel.

Q. I would like to apply your answer to the situation in which the work is going to be performed during an outage of the nuclear unit. Is it true that the -- and let's use the example of a specific modification. Would the design engineering have to be completed on that modification at some point during the window of opportunity presented by the outage of the nuclear unit before it could be constructed and implemented?

A. The design engineering has to be completed to turn the component or the system over to the operating authority of the plant. The design engineering does not necessarily have to be completed to complete the physical construction and/or startup testing of the

component. Typically it is, or it is at such a point that there may be a couple of remaining calculations to do that are low risk and not going to change the output.

But typically, the typical construction project engineering is done done, then you do planning and construction, then implementation and testing, and then turn over to operation. But I'm talking about our fast track process that we're using on this project and we've used on other nuclear projects.

Q. For my next question, I will be referring to a PowerPoint slide taken from the October 2010 presentation to the Steering Committee. The Bates number is 023298.

MR. ANDERSON: That's one we don't have handy here, Joe. I don't think that was on your list, but we can do some digging.

MR. McGLOTHLIN: I would appreciate it if you would do that. Rather than jump around, I would like to progress in this sequence.

MR. ANDERSON: Could you tell us again the document so we can look and verify?

MR. McGLOTHLIN: Yes. I'm going to be referring to two pages from that same presentation. The first is FPL Bates 023298, and then the following page, 023299.

MR. ANDERSON: Just give us a second and we'll get that for you.

MR. McGLOTHLIN: Sure. And I'm confident that's is from the October 2010 ESC meeting.

MR. ANDERSON: Okay. October 2010. Just a second.

MR. McGLOTHLIN: Bryan, would you prefer to take a five-minute break and then come back after you've had a chance --

MR. ANDERSON: Just a second.

Yes, we're going to need to find that document.

MR. McGLOTHLIN: Okay. I'm going to put you on mute, and let's just take five. I'll be back at about 22, 23 after.

MR. ANDERSON: Okay. Thanks.

(Recess from 10:16 a.m. to 10:25 a.m.)

MR. ANDERSON: We have the two pages you specifically asked for here, and I'll let you go ahead.

BY MR. McGLOTHLIN:

Q. Mr. Jones, my next question relates to a page bearing FPL Bates stamp number 023298 taken from the PowerPoint slides that were presented to the Executive Steering Committee in October of 2010. Were you present

at that meeting of the Executive Steering Committee?

A. I don't recall.

Q. In your present capacity of vice president, uprates, do you participate in the preparation of the presentations for the Executive Steering Committee?

A. Yes, they're prepared under my direction.

Q. Would you have been involved in the preparation of this particular document?

A. Yes. Yes, that's correct.

MR. McGLOTHLIN: Okay. I'm going to mark this as Exhibit 2 to the deposition, and I'll provide a copy to the court reporter.

(Deposition Exhibit Number 2 was marked for identification.)

BY MR. McGLOTHLIN:

Q. I'm going to read the top caption under the word "Confidential." The caption says, "The project is in the design phase and is approximately 23 percent complete." First of all, the word "project" relates to the overall EPU project; correct?

A. Yes, that's correct.

Q. And looking at the table in the middle of Exhibit 2 to the deposition, you'll see the same type of format that was in the last document I inquired about, and you'll see in the right-hand column, Final, the

23 percent that corresponds to the caption that I read. Do you see that?

A. That is correct.

Q. And then underneath the table, there's a key with four bullet points, and the last bullet point reads as follows: "Final - Reviews completed and approved by plant general manager for issuance."

Do I understand correctly that this last bullet point is intended to describe how the 23 percent figure was derived?

A. The last bullet point is to present to the senior executives not that familiar with our processes what "final" means. "Final" means the package is complete.

This table was constructed to try and demonstrate to those not familiar with the project that you have a large number of modification packages and no packages are entirely equal to each other, and paint a picture of what has been initiated, to demonstrate what's still left to even start, as well as the progress of each one of these packages. That's the intent of the slide, is to give them a feel for the number of modification packages that are actually done done.

Q. And in terms of a basis for comparison, this format and this definition of "final" squares with the

answer to Interrogatory 50 that I showed you earlier, does it not, in terms of the meaning of "final" as used in both those documents?

A. That's correct.

Q. And does it follow, based on your answer, that between October 2010 and April 2011, the status of the design engineering phase of the EPU project, as defined by the word "final" as used in those two documents, moved from 23 percent to 31 percent? Correct?

A. I'm looking to make sure that -- yes. As of April 18, 2011, there were 209 modifications identified as compared to -- (inaudible).

Q. Would you repeat that answer for the court reporter? You faded there just a bit.

A. As of April 18, 2011, the total number of packages that were final was 65, which represents 31 percent of the total number that were currently identified, which was 209. That compares to 46 packages that had been done at the time that the data was frozen for the purposes of putting together the Executive Steering Committee presentation, 46 packages of 202 that had been known, which represented 23 percent of those packages were in final status.

Q. You make a fair point, and I think your point is that between October 2010 and April 2011, the number

of needed modifications increased; is that right?

A. That's correct.

Q. But in terms of assessing the extent to which engineering and design has been completed, as measured by the word "final" as defined, as of April 2011, that degree of completion had increased only 8 percent; correct?

A. That's right.

Q. Now, if you'll turn to the following page from that presentation, 023299, based on your earlier answer, I assume you would have been involved in either preparing or supervising the preparation of this page as well; correct?

A. That is correct.

MR. McGLOTHLIN: I'm going to mark this as Exhibit 3 to the deposition.

(Deposition Exhibit Number 3 was marked for identification.)

BY MR. McGLOTHLIN:

Q. I'll read for the record the top caption, and then I'm going to ask a couple of questions about what's displayed below the caption. The top caption reads as follows: "Design for fall 2011 outage remains behind plan. The bulk of remaining will be issued out by December for the lead unit."

My first question is, it appears that something either was omitted or was believed to be implicit there. The bulk of remaining what, Mr. Jones?

A. I'm not 100 percent certain. The way I read that is -- my understanding of that is that the remaining packages for the first unit would be complete by December.

Q. Okay. And the reference to the lead unit is St. Lucie, which is first up in the order of implementation; correct?

A. St. Lucie Unit 2.

Q. And then the caption above the table itself reads, "St. Lucie Design Modification Status." And --

A. That's right. That's for both units.

Q. Okay. Well, thank you for that clarification.

You'll see some line graphs that appear in three colors spanning the period from January '10 to July '11. On the vertical axis is the degree of completion expressed in percentages; is that right?

A. That's correct. And that means an actual modification package complete as opposed to percentage of engineering total hours.

Q. In other words, this is expressed in terms that are consistent with the first page I showed you, 023298, in terms of how the word "final" is defined;

correct?

A. That's correct.

Q. And the green chart is captioned "Plan." How is the word "plan" used there?

A. Plan was at a juncture in time the plan for the completion of the modification packages, so that was a base line plan.

Q. And was that plan developed for the purposes of positioning FPL to undertake the implementation during the refueling outages, the first of which is in November 2011?

A. The plan is based on having the modifications ready for the refueling outage as well as completing the engineering within a certain forecast number of hours. In other words, for each modification package, we did an estimate for Bechtel of the number of engineering hours it's going to take to complete that package. That was the best available information at that time.

We load that into a detailed Level 3 schedule. We monitor progress against that. Once a week we look at the project progress, the design evolution, and adjust the schedule forecast accordingly.

Q. Okay.

A. This would have been a plan based on some known scope. At some given point in time, that plan

curve would have been established.

Q. Focusing for a moment -- did you finish your answer?

A. Yes.

Q. Okay. Focusing for a moment on the green line that represents the plan, I want to draw your attention to the value on that line for the date October 2010, which was the date of the Steering Committee meeting for which this was formulated. Do you see that?

A. Yes.

Q. And if I'm reading the line graph correctly, did the plan contemplate that the design modifications would be -- that something like 34 percent of the modifications would be at the final stage as of that date?

A. Can you repeat the question?

Q. Yes. I'm focusing now on the date October 2010, which you will see falls between the two months of September and November on the horizontal axis. And the value for October 10 represented by the green line graph, which was the plan -- do you see that?

A. Yes, I do.

Q. Would that value be approximately 33, 34 percent represented by the little square on the line?

A. Maybe I'm not with you. I'm looking at the

blue line and the gold line where they join.

Oh, are you talking about the green line? The green line would be 34 percent.

Q. Yes. The green line is the plan; right?

A. Yes. It's somewhere between 30 and 34 percent. Yes, I agree.

Q. And then the blue line represents the actual state of completion as defined in the terms that you and I discussed; correct?

A. That is correct.

Q. And that shows a value in the low 20s, which corresponds to the 23 percent shown on page 023298; correct?

A. That is correct.

Q. And then as you said in an earlier answer, there is a junction between the --

MR. ANDERSON: Let's pause for a moment, Joe, because there's no percentage indicator in the left-hand column or anything, and it's unclear whether that's percentage or number of mods, for example. For example, on page 19, the following page, it goes zero to 80, and I just want to make sure we're clear on what this is or is not.

MR. McGLOTHLIN: Well, let's put that question to Mr. Jones.

BY MR. McGLOTHLIN:

Q. Mr. Jones, what does the vertical axis represent on page 023299?

A. I think it represents the percentage of total packages complete, but I'm not entirely certain. I would have to go back and validate that.

MR. ANDERSON: It's just not labeled, Joe. That's why I'm being very cautious, so we're not guessing.

MR. McGLOTHLIN: Well, to the extent that you're unsure, would you provide us a late-filed exhibit that would either confirm your understanding or inform us as to what the vertical axis represents?

MR. ANDERSON: If you want us to just take a second, we can probably run that down on the fly here and not need to do that.

MR. McGLOTHLIN: I would prefer that.

MR. ANDERSON: Okay. Just a second.

(Recess from 10:42 a.m. to 10:44 a.m.)

MR. ANDERSON: Joe, we've checked here and really cannot determine from looking at the document, so a late-filed will be the way to go. We need to check back with some other business people.

MR. McGLOTHLIN: Okay. Late-filed Exhibit 4 will be "Explanation, Vertical Axis." And what did we call this? Exhibit 3 to the deposition?

MR. ANDERSON: That's what you had done, yes.

MR. McGLOTHLIN: "Explanation, Vertical Axis, Exhibit 3 to Jones Deposition."

MR. ANDERSON: Agreed. Thanks.

BY MR. McGLOTHLIN:

(Late-filed Deposition Exhibit Number 4 was identified for the record.)

BY MR. McGLOTHLIN:

Q. Mr. Jones, my questions to you about 023299 are premised on my understanding that the vertical axis is intended to represent percentage of completion, and I just want to finish my questions with that understanding in place, and then if that has been in error, we can go from there. But in earlier answers, you had agreed that the green line called "Plan" contemplated that 34 percent or thereabouts of the modifications would be -- the design engineering for about 34 percent would be complete and final as defined by these documents. But as of the date of the October meeting, October 2010 meeting, only about 23 percent had been completed.

Now, I draw your intention to the intersection of the blue line representing actual and what appears on

my copy to be a yellow or gold line. Do you see that?

A. Yes.

Q. And the key indicates that the gold line represents a forecast. Would that be a forecast of the rate by which the design engineering for the remaining items will be completed?

A. Yes, that would represent Bechtel's schedule, their forecast for the design engineering for the known scope.

Q. I see. So the information underlying the gold line was based on representations by Bechtel as to what they thought they could do; is that correct?

A. That's correct. We turn the schedule weekly with Bechtel, look at their progress and their forecast on an individual, modification-by-modification basis.

Q. And looking at the last entry on the horizontal axis on the right-hand side, July 2011, you'll see that the green line of the plan and the yellow line of the forecast converge at about 90 percent. Do you see that?

A. Yes.

Q. And do I understand correctly that the forecast represents the predicted effort to catch up, for lack of a better term, to arrive at the same 90 percent called for by the plan, but with an

accelerated rate of completion? Is that correct?

A. Yes, that is correct, as a result of -- and it's on the slide that they're behind on their engineering. They identify the modifications as more complex, requiring more engineering hours, and going to require the addition of more engineers to perform that engineering. So this is the forecast they provided based on their assessment at that time; that is correct.

Q. Now, earlier I referred you to the answer to Interrogatory 50, which reported that as of April 2011, 31 percent of the design engineering of the modifications had been completed and were final. Do you recall that document?

A. Yes.

Q. So if we were to look at the horizontal axis, March and May are represented, so April would be halfway between those. And if we would put a point at 31 on the vertical axis, that would show us where the actual blue line would have been as of April 2011; correct?

A. I'm sorry. Can you repeat that?

Q. Yes. We established through the answer to Interrogatory 50 that as of April 18, 2011, the percentage of the modifications for which design engineering had been completed and are final was 31 percent; correct?

A. That's correct.

Q. So if we were to enter that value, 31 percent, on this same 023299 that you have in front of you, we would go to the horizontal axis and find March and May and identify April as being halfway between those two, and then we would go up on the vertical axis to the point that corresponds to 31 percent on the vertical axis; correct?

MR. ANDERSON: Joe, are you asking only as to St. Lucie or both plants? Because your Interrogatory No. 50 refers to both plants, and your Exhibit 3 only refers to Lucie.

MR. McGLOTHLIN: I see. I think you make a good point.

BY MR. McGLOTHLIN:

Q. Is there a way to break out from the information shown on Interrogatory 50 the degree of completion that relates to St. Lucie?

A. There is. Let's see. You would take the -- in Interrogatory No. 50, you would take the currently identified modifications, 46 and 49, and combine those. That would be a total of 95 design modification packages identified as of April 18th, 2011. Clearly, there would have been -- and then you would say 15 and 17 is 32 of 95, so that would be certainly greater than 32 percent.

Clearly, there would have been fewer modifications for St. Lucie back in the September time frame, early October time frame, but not -- let's see. No, it doesn't look substantially different, because looking at 023298, the currently identified number is 95, and in Interrogatory No. 50, St. Lucie is 95, so that's the same. So that would be -- so 32 of 95 is final, whatever percentage that is, 34 percent.

Q. So instead of the 31 percent that would apply to both St. Lucie and Turkey Point, to enter the value that would correspond to the actual percentage of completion final as of April 2011, we would enter about 34 percent there; correct?

A. That's correct.

Q. And the forecast had contemplated that as of April 2011, the percentage would be approximately 60 or 61 percent; correct?

A. Yes. That was contingent on Bechtel obtaining the additional resources to perform the work.

Q. Now, does the current plan contemplate that the percentage of modifications that have reached the final stage will be 90 percent by July 2011?

A. By current plan, you mean today's plan?

Q. Yes, today's plan, and focusing on St. Lucie for the purpose of this question.

A. Joe, the difficulty I have in answering that question is that this is a gross level, intended for an executive audience, number. The tracking mechanisms that we use as an indicator are the total hours, earned hours, and need date. We have dozens of milestones that are established for each one of these modifications all the way through implementation. So we want all the engineering done as quickly as possible. That gives us a larger planning horizon. Then we also have the need date, which is it's needed by the next milestone for the planning and for the outage. Does that answer your question?

Q. I think it answers my question in part. Let me --

A. I don't have the forecast in front of me.

Q. Okay. I'm going to give you an opportunity to provide that explanation, but I want to ask a couple of preliminary questions. It would appear to me that in using the same definitions, the same bases that were used for the presentations to the Steering Committee, and given, as you agreed, that as of April 2011, the percentage of modifications for which design engineering had been declared final was 34 percent as opposed to the 60 percent or more that had been part of the forecast, either the rate of completion would have to be

accelerated even more severely to reach 90 percent by July 11 or the schedule itself would have to be pushed back. Would you agree with that observation?

A. I agree that we either had to add additional resources to complete the work or allow the schedule to move to the right. What we did is, we made sure that the design modification packages that were needed for the outage that started January 2nd got completed and made the balance of the modification packages a lower priority, just as in the refueling outage, I made the priority for design engineering to support the refueling outage we were in, the engineering changes that had to be made and the adjustments that had to be made to the design modifications to support construction, I made that a higher priority than advancing the engineering schedule for the next outage.

The next outage is November 26th, and I made it a priority of Bechtel to go get the additional resources to complete those design modification packages in time to support the planning for the November 26th, up to and including frequent meetings with their executive management every two weeks, including driving down to subcontract out a portion of the engineering to support what I call a recovery plan to ensure they did not jeopardize the St. Lucie fall outage.

Q. Well, as of today, are you confident that the resources are in place and the design engineering is proceeding at a pace that will enable FPL to adhere to the scope of work to be completed during the November 2011 outage?

A. I'm reasonably confident that the plan that we have put in place -- and this plan has been in -- this recovery plan and getting the resources, getting the right resources and not just throwing bodies at it, subcontracting out to a number of proven engineering firms, it has actually taken several months to get to the place as we now have the body -- qualified, I should say. Take "body" out. We now have what I think is a good, solid plan for the November outage for St. Lucie.

Q. Can you identify for us the specific modifications that are essential for the November 2011 outage and the status of the engineering and design work on those at this point?

A. That would take some time. There are a large number of modifications, and I would have to go to the detailed engineering report to give you the status on a modification-by-modification basis. But that's doable.

Q. That's probably more detail than I want for this purpose. But if it's possible to get a high level description of the major tasks that need to be in place

for that outage, that would be helpful.

A. Joe, if I can have a minute to think about how I could do that? Would it be okay if I take a minute or two to think about how to do that?

MR. McGLOTHLIN: Sure. As a matter of fact, we've had you working for a while. It's right at 11:00. Let's take seven or eight minutes and come back. That might be enough time for a comfort break too.

(Recess from 11:01 a.m. to 11:12 a.m.)

BY MR. McGLOTHLIN:

Q. I know there's a question pending, Mr. Jones, but I would like to back up and lay the premise for that in a bit better way, if I may. I think you can glean from the questions the direction our questions are going and the concern that they reflect, and it is this: I think you agree that based upon the discussion of 023299, FPL observed that Bechtel was behind the plan, and in October, it became apparent that Bechtel would have to make up ground to get back on the plan. That was in October 2010. As of April 11, they were even further behind.

And my question to you was, based upon the state of completion as it existed in April 2011 and the degree of additional acceleration that would be required

to enable Bechtel to reach the target of 90 in July of 2011, does FPL continue to say it's realistic to anticipate that FPL is going to be in a position to accomplish everything required in the November 2011 outage to maintain the schedule for completion of the the EPU project?

That was a long question, I understand, and if you need, I'll break it down. But that's the source of my inquiry, and that's why I asked you to give us a high level description of those priorities that have to be in place for you to stay on schedule.

A. The answer to that question is yes, and let me elaborate. While I don't agree with the characterization that Bechtel is behind, the characterization is that the engineering isn't at the point that we had originally planned it. Some of that is because of the design evolution, the iterative nature of the engineering where you go down one path and you don't get an acceptable result, and you have to continue to go further down that path or an alternate path to get to what I would call an acceptable result. Typically that involves margin or operational concerns. I sensed a characterization of poor performance, and I completely disagree with that.

Another portion of this is, that's part of

project management. You're looking at a high level executive summary slide. We look at on a mod-by-mod basis every single day the status of these modifications, what are the hard spots, whose house is it in, do we need a piece of information from a vendor or manufacturer, do we need a response from a systems engineer at the plant, does a particular Bechtel engineer need help?

So that's a very detailed plan, and staff's report has looked at every day detailed milestones, intermediate mileposts along the way, including, because there are thousands, literally thousands of activities, we only roll the schedule once a week. But we know on a mod-by-mod basis what the need date is to support the construction plan. And the way this is constructed, the way this project plan is put together -- you know, part of project management is -- part of the reason the engineering packages are not across the finish line is that we redirected Bechtel's priorities based on changing needs, based on outage support.

Now, once we made that change in priorities, we said -- well, actually, when we made them. As we contemplated the decision to put that resource there, we knew that that would cause this schedule to move to the right, that it would impact the downstream outage.

Having said that, we said that to be able to do these in parallel is going to require more resources, and these aren't the kind of people you just get off the street, so we're using a number of specialty nuclear vendors to do that.

So when you ask me am I worried about the fall outage, I'm concerned. We expressed as early as October that I was concerned, and we work daily with our vendors to address that concern and mitigate those concerns. That's what we do with these complex projects. And the plan that we're on supports that November 26 start for that outage, and we status it every day.

Now, in regards to what type modifications we're doing for this Unit 1, I think the easiest way to get there is if you refer to my May 2, 2011 testimony, TOJ Exhibit 24, starting at page 4 of 16. You'll see not only a list of the modifications, but you'll see a description of the modifications and which vendor organization has accountability for that modification.

I think another characterization here is that Bechtel is doing all the design engineering. And as I said, part of this project management is to choose the most qualified, most efficient vendor, but not so much that we wind up with too many cooks in the kitchen, to be able to accomplish these modifications. So I would

call your attention to that exhibit and give you a moment to get there.

Q. Yes. You have me scrambling here, which is only fair, since I've done that to you numerous times. What was that reference again?

A. That would be the May 2nd, 2011 filing, TOJ Exhibit 24, page 4 of 16.

Q. Okay. I have it.

A. So at the top of that, you see 2011 Extended Power Uprate (EPU) Project Work Activities, and then the left-hand column, the far left-hand column labeled "St. Lucie Unit 1 Fall 2011 Outage." So reading left to right, you have the outage designator. Below that is a short title in regards to the modification, then a description, and then the governing contract for that modification. The type of -- do you have it?

Q. Yes.

A. The type of modifications, some of the larger scopes of work, if you go to page 5 of 16, feedwater heater replacement, that's to replace the number 5 feedwater heaters. TEI is the vendor responsible for building the heaters. The actual installation will be done by Bechtel.

And generator core iron replacement, which is at the bottom of page 5 of 16, that is part of a fixed

price contract with Siemens.

On the next page, page 6 of 16, the main generator hydrogen coolers and the main generator rotor replacement and stator rewind, those are two scopes of work at Siemens that involve rewinding the main generator.

At the bottom of that page is the replacement of the HP rotor. That involves disassembling the high pressure turbine casing, changing out the steam path, and replacing the HP rotor. That will do the lion's share of the work to produce the additional megawatts.

On the next page, page 7 of 16, the first two items. Isophase bus duct cooling, that's how the generator is connected to the transformer outlet to the switch yard. And main turbine rotor refers to replacing the two low pressure rotors, which is the scope of work that was just completed on St. Lucie Unit 2 for the additional megawatts there.

So as you can see, there's quite an extensive list of mods here. And so in regards to the status of each one of those modifications, engineering planning has a much more detailed report that I don't have at my fingertips, but that's something that is gone through by them on a daily basis and I review on a weekly basis with the project team. And they are on track for the

November 26 outage start.

Q. Okay. So each of the items that you've identified in the left-hand column corresponds to one of the modifications that are tallied in the documents that we've been looking at?

A. Yes. The reason I pause is because TOJ Exhibit 24 is a list contract by contract and purchase order. I would have to look back to see what the first TOJ-24 was, whether it was to list all the contracts or list all the modifications. Suffice it to say, it's a good, comprehensive list of the modifications that we're doing.

Q. In some of the documents provided to us in discovery, we're seen reference to what is called a Bechtel recovery plan. Are you familiar with that term?

A. I'm sorry. A what?

Q. A Bechtel recovery plan.

A. I'm familiar with the term.

Q. Does that refer to the need for Bechtel to accelerate the design engineering so as to get back on schedule?

A. No. The Bechtel recovery plan is -- when we decided to fast track these modifications, we decided to follow our fast track process, which means we're already beyond our normal design modification planning

milestones or construction planning and implementation milestones. So to get back to that schedule is not possible, because we were already beyond those milestones when we initiated the project.

The recovery is really more about here's where we are today, and how do we get to the next intermediate milestone that we've established for the successful implementation of the modifications during the outage. It doesn't necessarily involve accelerating something. It also involves moving modifications around or pulling other modifications forward and pushing other modifications aside. It also involves doing some planning at risk. There's a number of levers to pull.

Q. Do you have available to you the document bearing Bates stamp number 000230?

MR. ANDERSON: What is the document?

MR. McGLOTHLIN: It's one of the PowerPoint slides taken from the September 2009 presentation to the Executive Steering Committee.

MR. ANDERSON: Just a second.

MR. McGLOTHLIN: I hope it's one of the documents that I identified to you prior to the break.

MR. ANDERSON: It is, but we're just getting it in front of us. Just a second.

MR. McGLOTHLIN: Okay.

MR. ANDERSON: We have the document, and we're prepared. Go ahead.

MR. McGLOTHLIN: Okay. This will be what? Number 5, Mary? This will be Exhibit 5 to the deposition. And it's a one-page excerpt from the September 2009 presentation to the ESC.

(Deposition Exhibit Number 5 was marked for identification.)

BY MR. McGLOTHLIN:

Q. At the bottom of the page you'll see highlighted, Mr. Jones, this statement: "Engineering and design will complete in December of 2010 improving cost certainty." Do you see that?

A. Yes, I do. That was the belief at the time by the project team based on the known scope and the plan with our vendors.

Q. The preliminary question is this. Again, I want to be careful that I understand any differences or nuances in terminology. The term here is "engineering and design." Is that the same thing as design engineering?

A. It's hard for me at this juncture to know exactly the context of that statement in regards to whether we were referring to LAR engineering and design

engineering.

Also, I don't recall -- in fact, I don't -- it's not clear to me that that's intended to mean the lead unit. There's just no way that we're all going to be able to go back to September of 2009 and, without doing a whole lot of research here, figure out what was our outage implementation plan at that particular date, which unit was the lead unit, and how many total modifications were there at that time, and what our thinking was. I'm just telling you where I'm at. We have many outages, many issues past that.

Q. Well, given that the term is used in conjunction with describing the status of cost certainty, as I understand FPL's presentations, cost certainty increases as design engineering progresses; is that correct?

A. That is correct. As design engineering completes, you gain greater certainty; as construction planning completes, you gain even more certainty; and you're really certain when you're done.

Q. My understanding, based upon the relationship between the subject of cost certainty and the type of engineering that's being discussed here, is that the references to engineering completion that appear on the top and engineering and design that appear in this lower

banner are interchangeable with design engineering. Do you disagree?

A. That's speculation. The purpose of this slide was to communicate to the senior executives a picture of -- at this juncture in time, we were going though an extensive effort to come up with a way to forecast the total project cost that could be a sound basis, and so any changes that would be known or understood, and we were trying to explore ways to do that with not much engineering done. And the purpose of this slide was for the senior executives that don't have a major construction project background to -- as I recall this entire presentation, that's the theme, is what makes up a major complex project like a nuclear power plant, what are the uncertainties that you have to deal with, and when can you expect certainty to come to the project. That's what we were trying to communicate and convey and give the Executive Steering Committee things by which they could measure progress against, and so that slide is part of that context.

Q. I'll change subjects for my next line of questions. I have a couple of questions about the estimate that was put together by Highbridge. Can you describe to me whether and how the Highbridge estimate was incorporated in the development of the range of

estimated costs in your testimony?

A. Joe, the question was -- I want to make sure I'm answering your question. The question is how was Highbridge used in determining the range, the nonbinding cost estimate range?

Q. I guess it's in two parts. The first is was it used, and if so, how?

A. Are you referring to the May 2, 2011?

Q. Yes.

A. Or are you referring to the May 2010 filing?

Q. I'm referring to the most current range of estimates.

MR. ANDERSON: So you're referring, Joe, for clarification, to the May 2, 2011 nonbinding cost estimate range; is that right? You just used the words "current estimate." I just want clarity around what we're talking about.

MR. McGLOTHLIN: Okay. Well, you've reminded me that I need to be careful in how I put this question together.

BY MR. McGLOTHLIN:

Q. Was the Highbridge estimate used in either the 2010 or 2011 estimates, and if so, how?

A. Joe, I would like to start with the 2010 if that's okay with you.

Q. Okay.

A. The second half of July -- the second half of 2009 and the first quarter of 2010, we went through an extensive effort to come up with the nonbinding cost estimate range for a major construction project to operate a nuclear facility for which very little engineering had been done. As we explored options and opportunities, there were a number of firms out there that perform what I call a bottoms-up estimate.

What a bottoms-up estimate is, they will estimate a given modification as if the engineering is 100 percent complete and say, "How can they do that?" Well, they will make assumptions on how many nuts, bolts, hangers, pipe, pumps, whether it's 16-inch diameter weld or a 14-inch diameter weld, and they will reduce all that to writing. And then they will apply unit rates, and they will roll that up into a modification-by-modification estimate. So there are a number of firms out there that do that, and Highbridge is one of those firms.

We contracted Highbridge to do that for Turkey Point Unit 3. There were a number of modification packages that had been completed that would allow them not to have to make -- really very few assumptions on those packages. And then the balance of those packages,

there was essentially no engineering done, and they would have to apply their process. They've done this on a number of major projects, and we've reviewed those, and they have a pretty good track record.

Our intent when we brought them in was to have them complete all that work in time for our filing. It turned out to take longer and be more complex than what we had estimated. We had some preliminary information on the early modifications, so we did use that as one of our inputs to the nonbinding estimates.

Our other estimates were whether or not we would self-perform all or a portion of the work, whether or not we would bring in a competitor EPC to put out the work, whether or not we would defer units to allow us to better perform the work, any number of alternatives, high risk specifically. That's how they were utilized in 2010 for the nonbinding estimate.

The additional benefit that we got out of that was, for the modification package that had been complete and Bechtel had provided construction estimates, that we now had something to leverage Bechtel with to have them reduce their construction estimate, as it turned out, for the best 2010.

Q. Was the Highbridge estimate used or incorporated in the 2011 range of estimates?

A. Yes, in this manner: We used -- when we were establishing the target price for St. Lucie, we again engaged Highbridge to provide their input for the modification packages that had been completed and those in some form of completion for the St. Lucie power plant, and that helped form the basis in negotiations for the target price for St. Lucie. The target price obviously is a significant input into the overall project forecast, because we say the target price is X, this is what we think we're going to spend for Turkey Point, and that's why, and X plus Y equals Z.

As far as Turkey Point, the Highbridge work stands as it is. And we built off of their work as we continued to forecast the project on a month-over-month basis. So their original work was the basis for the going-forward forecast on that project with scope adds and scope deletions. But to bring Highbridge back and have them do another body of work at Turkey Point, that was not done for the 2011 forecast.

Q. Focusing on the Highbridge estimate developed for Turkey Point 3, as I understand it, Highbridge's estimate was based upon its review of 40 modifications; is that right?

A. I don't know. I would have to look that up.

Q. Highbridge reviewed fewer than the total

modifications that are required for Turkey Point 3; is that right?

A. I don't know the answer to that question. I don't have the Highbridge report in front of me. Am I supposed to have that?

Q. That was one that we identified, at least a portion of it.

A. Okay. Hold on.

I have the report.

Q. I don't intend to make that an exhibit, but --

A. It does say engineering and implementation costs for Unit 3's specific modifications, direct costs.

And, Joe, I just -- let's see. What's the date of this? Well, obviously, it's fewer than the old number of modifications for the Turkey Point project. It would have been the number -- we would have frozen the line, and it would have been the number of modifications that we had identified up to that point that we authorized them to go work, if that makes sense.

Q. Yes. The answer to Interrogatory 50 indicates that there were at that point 55 modifications for Turkey Point 3. I was curious to understand better how the fact that Highbridge reviewed fewer than the total number of modifications would have affected the estimate. Were those additional modifications taken

into account, or were they simply not part of the Highbridge scope of work?

A. Interrogatory 50 was as of April 18, 2011. The number of modifications for Turkey Point Unit 3 at 55 is -- it's certainly more than 40. But I'm certain we didn't have 55 modifications back in -- I think we actually started this in December of 2009, if I recall. Give me just a second to take a look at this report.

I call your attention to the executive summary, page 456 of the report. At about the third line down, halfway through, it says the baseline cost estimate was to include direct costs for design and implementation for all projects and all associated support and direct management cost. Initially the scope of the estimate was to include as many as 55 individual modification projects. However, due to incomplete and ongoing LAR process, the project scope continues to evolve.

The project scope for this baseline estimate was frozen on January 19, 2010, and includes only the 44 -- I'm sorry, February 19, 2010, and includes only the 44 expected projects as of that date. With design in progress, those projects included in the fall 2010 outage, Highbridge incorporated all design information available, but many of the 44 estimated projects had

been estimated from conceptual data only. That was the scope of Highbridge's body of work.

Q. Yes, and that's consistent with my understanding. And my question simply is, in view of the fact that Highbridge reviewed 44 of the modifications, which was fewer than the total that existed at that time and an even smaller percentage of the modifications that have been identified to date, did FPL take any steps, by means of extrapolation or other types of adjustment, to take into account that Highbridge's work product reviewed less than the total scope of the St. Lucie project -- I'm sorry, the Turkey Point project?

A. Yes, I understand Joe. I don't think it was less than the identified modifications at the time. I think it said 44 were expected, and 44 is what they estimated. I'm not sure what his reference is to 55. I think that's purely coincidental to the 55 that's currently identified. But as I explained, their job was to even take a conceptual modification and reduce to writing the assumptions and forecast what it will take to do the design and what it will take to construct it.

Now, Highbridge was just one input into the nonbinding cost estimate. We obviously had all of Bechtel's information on what they thought they would

need for a total number of engineering man-hours, or I should say man-years, and what they had estimated in craft hours for that scope of work. And we certainly had our construction experts reviewing those estimates and assumptions, and we certainly had the projected head counts going all the way into the out years, which is, you know, one of the major cost drivers.

And so all those things were used to produce the nonbinding cost estimate, including looking at -- we even looked at the trend of discovery, at what rate were we discovering things through engineering, whether it be LAR engineering or design engineering, and where -- you know, if we stayed on that current trend, where would we expect that trend to break over and that rate of discovery to decline. So we factored in a number of inputs to come up with that cost estimate range.

Q. I think I understand.

I have one more line of questions for you, and I'll refer to the answer to Interrogatory No. 77. And a copy of that will be Exhibit 6 to the deposition.

MR. ANDERSON: We need to take a second to find it. Just a second.

MR. McGLOTHLIN: Okay.

(Deposition Exhibit Number 6 was marked for identification.)

MR. ANDERSON: We have it, Joe. Go ahead.

BY MR. McGLOTHLIN:

Q. Mr. Jones, did you provide the answer to OPC's Interrogatory No. 77?

A. It was provided at my direction.

Q. Okay. This statement appears in your answer: "FPL's nonbinding cost estimate range encompasses an expected level of uncertainty with respect to project scope and project cost at the time of the submission of his testimony, which reflected a range of minus zero percent to plus 7 percent." Do you see that statement?

A. Yes, I do.

Q. And this is in response to -- the question reads, "At a stage of 50 percent design completion, what is the expected level of uncertainty with respect to project scope?" And as we've discussed earlier, Mr. Jones, as used in your May testimony, 50 percent design completion refers not to the percentage of modifications for which design engineering has been made final, but rather to the overall state of completion of all of the modifications in various states; correct?

A. That's correct.

Q. Now, when you said in your answer that the range is minus zero percent to plus 7 percent, does that mean that the risk of incurring a cost in excess of the

stated range is that it will not exceed an additional 7 percent of costs?

A. No, that's not what that means. What that means is that at the time of our March forecast, our range that we established for our May testimony was basically zero percent of the -- if you backed out the undefined scope, it was based on backing out that undefined scope, zero percent of that forecast, which was the best information we had at that time, plus 7 percent to bind the upper range. And so the way that we arrived at that, as I already mentioned -- just a second.

We looked at what we had in our risk matrix, looked at the rate of change of that risk, looked at what was in our undefined scope and the rate of change of that, compared that to our January forecast, which was the upper end of the range. So we based it on the maximum risk exposure that we've identified through January the 20th, plus potential risk associated with doing the generator core replacement at Turkey Point. And we based it on what we felt the undefined scope may grow to based on a line-item-by-line-item contingency assessment.

By that I mean the long-lead materials are 95 percent committed, so really, you don't need much

contingency there. The LAR engineering, that has all been submitted to the NRC, and our cost associated with that in responding to their questions, and having to submit those engineering man-hours to respond to their questions, so a very, very small percentage of contingency applied to that.

If we look at the to-go cost of each one of those major categories, we said, "Where is all the risk?" All the risk is in the implementation, trying to predict that implementation in the out years for the 2012 outages. So that's where we -- that contingency needs to be around 20 to 30 percent. So we adjusted our undefined scope to establish that, and that established an upper end of the range, but that range was based on our information January through March and our to-go forecast in each one of those categories.

So is there uncertainty in the nonbinding cost estimate range? Yes, because we are about -- at this juncture, about 60 percent of the way through our design engineering. But as you can see, year over year, the magnitude of the change is less, and I would expect it to be -- I would expect that to continue on that trend next year.

Q. I think I understand your answer, and I believe your response to my question is that to the

extent there is uncertainty in the range, that has been captured in the bottom and top of the range; is that correct?

A. I want to make sure I'm crystal clear on this. We have a project forecast. The project forecast is, you know, we're just off the coast of Florida, and we're headed to Spain, and we're plotting a certain course, and based on our best available information, we've forecasted what it's going to take to finish the engineering and construction planning and do the implementation. A portion of that forecast is really solid, really firm, like long-lead material, like the balance of the LAR engineering. And even the to-go design engineering is becoming more firm in this latest round of adding the additional resources. So we looked at that, and we made a conscious decision to stick with a range.

Anytime someone sees a number, they tend to look at it like they're buying a pair of tennis shoes, and it's $23.99. That's not what we're dealing with here, and it's misleading to put an exact number. So we're really dealing with a range.

I think in our discussions, I said, "Well, given those factors I just gave you, we have a project forecast which rolls up to a number." And you said, "Is

it likely to go lower?" Well, there's some probability it may go lower, but not much. There's a possibility it could go higher. It could, but not in the immediate short run. As we get through the engineering and construction planning, the range may have to be adjusted up. There is some probability of that. But I wanted to make sure there was a strong basis for the upper end of the current range.

Q. If I understood your answer, the basis for that upper end relates to FPL's quantification of the undefined scope that remains in the project?

A. Yes. When you put the project in buckets -- I want to try this again. I think it's worth spending a minute on if you'll indulge me a minute.

Q. Go ahead.

A. When I look at engineering, or when I look at -- when I look at engineering, the LAR engineering bucket and the LAR engineering resources to respond to the regulatory requirements, could there be additional modifications that come out of the NRC's review and approval process? Yes. I've had that experience, even as late breaking as a month before the outage. The probability is low, but it's still there.

Then I have the project management, the FPL infrastructure to oversee this complex project. There's

not a lot of variability there, so I would not have assigned additional contingency to that.

Then I have my long-lead materials, which is already 95 percent committed. If you look at my contingency analysis, I don't have a lot of contingency assigned to that.

Then when you get to my implementation, or when you get to my design engineering, since I'm 60 percent of the way through, yes, I've assigned the contingency that more resources may be necessary, because we may have additional design evolution, and to stay on track, we may need to apply additional resources.

And then when you look at my construction, that is at a very early stage. That's where I see our greatest risk and where we should apply more contingency.

And so when you asked me, "Terry, the upper end of your range exceeds your forecast. If I go to your project management book and I look at your spreadsheet and it rolls up to a number, it exceeds your project forecast. How is it that that's the case?" Well, I'm trying to forecast what could happen in the implementation or the design engineering, and a single number would be misleading. It's inappropriate, because

we still have a number of these projects that are the conceptual phase.

Q. You used some terms there that also appear elsewhere in testimony and in discovery, and I want to make sure that I understand how you're using these terms. And I'm talking about risk, uncertainty, and contingency, which all seem to be, at least to this layman, related.

Do I understand correctly that uncertainty is the risk that one's projected value may be in error or inaccurate, and that the contingency is the measure that's put in place to take into account and provide for that uncertainty and that risk? I am saying that correctly?

A. That's close. Here's the way I define uncertainty. Uncertainty is that I don't know what I don't know, and there's that potential for discovery.

Q. I've been there.

A. Okay. And being a nuclear guy, I don't like that, but it is what it is. I'm an operations guy. I like step-by-step procedures, and I like everything with a nice, tight little bow around it.

So uncertainty is that I don't know what I don't know. And actually, as a clear operations guy, I was always trained that that's out there, even in

operations, so it actually serves me well in construction.

Risk, as we define it, as we use it -- it's true that in the overall context, risk and uncertainty are the same thing. In the context that we use it within the project, we have known risk, and we use a risk register for someone to know that back 20 years ago there was this problem with the Turkey Point steam generators, and you may not be able to just dispose of that secondary equipment or even salvage it. You may have to treat it, give it special treatment, and that could cost millions of dollars. If anyone on the project, external or internal on the project raises a concern that there is risk, we try and quantify it with a probability and a dollar amount, so we'll give that risk a weight.

But in the context of a project, I have a risk matrix, and so in my everyday language, when I talk about risk, I talk about those things that have bubbled up and maybe not completely dispositioned yet, but they've been identified, and they contribute to the project forecast.

Does that make sense? Contingency and undefined scope are words that are used interchangeably.

Q. So would it be fair -- based on your answer,

would it be fair to say that this 7 percent is the contingency measure that has been incorporated in the estimate of costs that you provided in your May 2nd testimony?

A. I would say the undefined scope that's part of the forecast is based on our contingency analysis, where we know from experience on major projects about what percentage contingency you should have for implementation or design for where you are right now in the project. And obviously, if -- so our undefined scope number, the upper end of the range reflects, based on the to-go engineering today -- well, not today. I should back it up to when we established this back in March, right, or the January forecast. That day we said we've got however many hundreds of thousands of engineering hours left, and that equates to this amount of cost. We said the right level of contingency for that is X. And then we looked at implementation, and we said the right amount of contingency for that is Y, and we said that should establish the upper end of the range.

As we move forward, there's language, there's language that additional engineering hours will be required, that additional implementation hours will be required, and your contingency or your risk really

doesn't change that much. As you complete construction or you complete design engineering, you would hope that you could reduce that contingency, but if you have new discoveries that add on a bulk of hours, what you've reduced your contingency by because you made progress just got offset by your new scope, if that makes sense.

Q. I think I follow. Let me just ask it this way. You provide in your testimony a range of estimates for the cost of the uprate projects. What contingency factor have you incorporated in your estimate of costs? How would you quantify it?

A. The undefined scope, the low end of that range is -- of the 2,324 million dollars is about 72 million. And for the upper end of that range, it's 190 -- of the 2,480 million dollars, it's 195 million. And that was based on the undefined scope that existed on January 31, 2011.

MR. McGLOTHLIN: I've completed my questions. Thank you for your time, Mr. Jones.

MS. KAUFMAN: This is Vicki Kaufman. I have some questions also. I didn't know if you all were intending to take a lunch break or what.

MR. ANDERSON: We're going pause and just check people for logistics.

(Discussion off the record.)

MR. ANDERSON: If we're looking at a lot of time like that, we should probably take a break for lunch.

MS. KAUFMAN: How long do you need, or how long would you like? Do you want to come back at 1:00? Is that enough time?

MR. ANDERSON: We're just checking calendars. 12:45.

MS. KAUFMAN: Works for me.

MR. ANDERSON: Okay. We're going to hang up, then, and redial in at that time.

MR. McGLOTHLIN: All right. That will be good.

(Recess from 12:07 p.m. to 12:46 p.m.)

CROSS-EXAMINATION

BY MS. KAUFMAN:

Q. Okay. Are you all set, Mr. Jones?

A. I'm ready. Thank you.

Q. Great. I'm Vicki Kaufman, and I'm here on behalf of the Florida Industrial Power Users Group. I hope you had a good lunch. I don't have as many questions as Mr. McGlothlin, so maybe it won't take quite as long for me.

I'm going to be starting out, though, with your March 1, 2011 testimony, if you want to grab that.

A. This is Terry Jones. Are you referring to the March 1, 2011 testimony?

Q. Yes, I am.

MS. CANO: And just for clarity, Vicki, you're speaking about the March 1, 2011 testimony that addresses 2009 or the March 1, 2011 testimony that addresses 2010?

MS. KAUFMAN: I'm going to start with the 2009.

BY MS. KAUFMAN:

Q. Are you set?

A. Yes, I have it.

Q. And actually, before I go there, I wanted to go back a minute and kind of step back. Mr. McGlothlin asked you a series of questions regarding your cost estimates and whatnot for the EPU project, and what I would like to know -- I'm not sure I followed all that, but what I would like know is, as we sit here today, what is your estimate of the total installed cost for that project?

A. The answer to that question is in my May 2, 2011 testimony. It's found on page 6, lines 9 through 14, which is that we've updated our nonbinding total cost estimate range to reflect the progress made on the project and information learned through the beginning of

2011 to approximately 2,324 million to 2,479 million, which includes the transmission and carrying costs.

Q. Thank you for that reference.

What is the projected in-service date for the project?

A. The projected in-service date, the megawatts come on line in sequence with the refueling outages. For example, we just placed megawatts in service with the St. Lucie Unit 2 outage that completed -- the outage dates are included in the testimony. I don't have them all memorized off the top of my head. But St. Lucie Unit 1 will be in the early part of 2012. Turkey Point Unit 3 will be in the first half of 2012, and Unit 4 will carry over into -- will start at the end of 2012 and complete and go in service the first quarter of 2013.

Q. So is it fair to say that the entire project it's estimated now will be in service by the beginning of 2013?

A. It's correct to say that the project will be completed in its entirety by the first quarter of 2013. The majority of the megawatts will be in service by the summer of 2012.

Q. I understand. Thank you.

Okay. Now, turning back to your testimony, at

the very beginning on page 1, you describe your position and your responsibilities, and currently you're the Vice President, Nuclear Power Uprate; correct?

A. Correct.

Q. And you assumed that position in August 2009; is that right?

A. That's correct.

Q. Now, who held that position immediately prior to your assuming it?

A. I'm thinking if there was an exact equivalent position to my position. If you could give me a moment, I'm looking up the organizational chart. Just a moment. I'm looking.

Thank you. I have it in front of me. Rajiv Kundalkar was the Vice President, Nuclear Power Uprate.

Q. He was in that position immediately prior to you assuming it in August 2009?

A. Yes, but it wasn't a like-for-like position. He had responsibility for the extended power uprate, all other major capital projects outside of EPU, and also the nuclear fuels organization that is responsible for the reactor core designs and procurement of nuclear fuel.

Q. So is it correct to say that a subset of what your position involves now, and I guess when you took it

over in August of 2009, is a subset of what Mr. Kundalkar's responsibilities were?

A. That's correct.

Q. What was your position prior to taking the position in August 2009?

A. My position was Vice President of Operations, Midwest Region.

Q. What did your responsibilities include there?

A. My responsibilities, I had -- I was directly responsible for the operations of two nuclear power plants in the Midwest, Duane Arnold located near Cedar Rapids, and Point Beach Nuclear Power Plant located in northern Wisconsin.

Q. So was the position you assumed in August 2009 the first time you had worked on a Florida nuclear project for Florida Power & Light?

A. No. In fact, I started my career with Florida Power & Light at Turkey Point Nuclear Power Plant in operations.

Q. How long were you out in the Midwest Region?

A. That specific job assignment was a little over a year. Prior to that, I was Vice President of Plant Support, so I had responsibilities for -- I had responsibilities associated with all five of our nuclear sites in the area of security, turbine services, reactor

services, and others for two years. So that was a -- in both that position and the Midwest position, I was located at corporate here in Juno.

Q. This testimony that we're looking at involving 2009, did you have any familiarity with the uprate project in 2009 prior to taking your position in August?

A. Yes. In fact, the extended power uprate was under way at Point Beach Nuclear Power Plant.

Q. I'm talking about the uprate project that's the subject of your testimony.

A. Yes, I was familiar with the project, familiar in that this project was an organization under way. It was a general familiarity.

Q. I'm sorry, but you kind of cut out on that answer, if you wouldn't mind repeating it.

A. I was familiar in that, given my position at corporate, I knew that there was an extended power uprate under way for the Florida plants, an organization that was performing that project, a general familiarity with the type of project it was and the people involved.

Q. So is it fair to say that you were familiar with it on a high level, but not regarding the day-to-day operations of the project?

A. I was familiar with -- it is fair to say that I was familiar with it at a high level.

Q. In this testimony that we're looking at regarding 2009, did some of the activity that you are discussing in that testimony occur prior to your assuming your position in August?

A. To be clear, you're referring to the March 1, 2011 testimony on the extended power uprates, 2009?

Q. I am.

A. The question was, are there activities described in this testimony before I became directly in charge of extended power uprate?

Q. That's my question.

A. I'm just taking a moment to thumb through the testimony.

Yes, I believe that is a fair characterization.

Q. So for the information that you provided in your testimony that concerns activities before August 2009, where did you get that information from?

A. The information in my testimony is readily available in the project reports, documents, emails, auto reports, photographs, contracts, and provided by the subject matter experts on the project.

Q. Did you review all this material before drafting this testimony?

A. The testimony was prepared at my direction.

Q. Who prepared it?

A. There were a number of people involved that prepared this testimony.

Q. Who were they?

A. Bruce Veisler --

Q. I'm sorry. Again, you're fading out.

A. Bruce Veisler, Clyde Newson --

Q. What? Go slowly, because some of these names I'm not familiar with. The first one you said was Mr. Feisler?

A. Veisler.

Q. Chrysler, like the car?

A. No.

Q. I'm sorry.

A. I'll spell it. V-e-i-s-t-e-r. I'm sorry, L, V-e-i-s-l-e-r. And Clyde Newson, N-e-w-s-o-n. Those are two that I interfaced with directly. They get information from the project controls organization from each site as well as contract information from our integrated supply chain and other sources. With a project this big, there's many sources to provide the information.

Q. So were these two gentlemen the primary drafters of the testimony? I assume they're gentlemen, not ladies.

A. They are gentlemen. I don't know if they were the primary drafters of the testimony.

Q. So are you saying that you don't know who drafted your testimony? I'm just not clear.

A. I'm saying that I don't word for word, line by line, who wrote the testimony. As I stated earlier, I know of at least two contributors, and there may be more. These are the two that I interfaced with on a routine basis.

I read every word of my testimony. And we have a verification means for the information that comes in to verify that it's true and correct. And my testimony is not filed without my approval.

Q. Did you verify personally all the information in here to be sure it was true and correct, or did you rely on someone else to do that?

A. We have a process for people to verify that the information that they are providing is true and correct. For example, if you look at the tables that I referred to earlier, like TOJ-24 that lists all the modifications and purchase order numbers, I do not go and lay my hands on the hundreds of purchase orders and verify that that purchase order is the exact right number. So when people provide a purchase order number, they are signing that they have verified that that

information that they are providing is correct.

Q. So as I understand what you're saying, you rely on others to go and verify the information in the testimony that you then review at the end of the process?

A. I'm involved in process as well as final process, that's correct. And, yes, I rely on the subject matter experts to verify the veracity of the information that they are providing.

Q. If you could, estimate how many people contributed, provided information, or verified what was in your testimony. Do you have any idea?

A. I don't know the exact number. It would be several.

Q. Is that less than five? I mean, what does several mean?

A. I'm thinking that between the project controls organizations and my group here, there were probably at least half a dozen people involved in the preparation of my testimony.

Q. And can you name the other four people besides the two gentlemen, or you don't know who they are?

A. Well, Don Fleetwood, my project controls director, would be involved in the preparation of my testimony. Steve Reuwer, R-e-u-w-e-r, the

implementation owner, would be involved in my testimony, and the project controls supervisors at each one of the sites.

Q. Did you say at each of the sites? I'm sorry.

A. Yes, the project controls supervisors at each of the sites contribute. My license amendment engineering manager, Liz Abbott, provides input and contributes.

Q. Are you done? I'm sorry. I didn't know if you were thinking or you were finished.

A. I'm finished. There may be others.

Q. To your knowledge, have any of those people filed testimony in this docket?

A. No.

Q. Are you -- Mr. Jones, are you familiar with the Concentric report?

A. Is the question am I familiar with the Concentric report?

Q. I'm sorry. Let me get closer. Yes.

A. Yes, I am.

Q. Were you interviewed for that report?

A. Yes, I was.

Q. Do you know when that was?

A. No, I don't recall the specific point that that interview occurred.

Q. Were you involved in the decision-making to engage the firm that did the Concentric report?

A. No, I was not. That was our legal group.

Q. Have you reviewed the report?

A. Yes, I have.

Q. Were any of the changes that were recommended in the report implemented in your area?

A. I provided verbal feedback to --

MR. ANDERSON: Vicki, what are you referring to?

MS. KAUFMAN: Do you want me to refer him to a page?

MR. ANDERSON: Yes.

MS. KAUFMAN: Hang on.

BY MS. KAUFMAN:

Q. I'll refer you to that page in a moment, but tell me what sort of verbal feedback you provided, Mr. Jones.

MR. ANDERSON: Just so record is clear, what are you doing now, Vicki? You had asked about implementation of recommendations in the report. You're not asking that question now? You're moving on; is that right?

MS. KAUFMAN: I'm going to go back because Mr. Jones was beginning to tell me that he had

provided some verbal input when you asked your question, Bryan, so I was just going to follow on that.

MR. ANDERSON: Okay. Go ahead. Why don't you ask your question?

BY MS. KAUFMAN:

Q. Mr. Jones, you were beginning to tell me that you provided some verbal input in regard to the report. Did I understand that?

A. Yes. I thought that's what your question was as a follow-up to the review. When I reviewed the report, I provided verbal feedback to Concentric.

Q. Did you review a draft report, or did you review a final report?

A. I reviewed a draft report as well as eventually a final report.

Q. Do you know when the draft was provided to you?

A. I do not recall.

Q. Do you know if any of the changes you provided verbally were made when the final report was issued?

A. I don't recall specific changes that were made. My comments, as I recall, had to do with some of the time lines and whether or not some of the facts were appropriately characterized or not. Ultimately, the

authors of the report wrote what they wrote, the final version.

Q. I didn't hear the last part. I'm sorry. And what? They wrote what they wrote, and then what did you say?

A. The final version is the final version. I'm already on record as not agreeing.

Q. Understood.

MR. ANDERSON: I'm sorry, Vicki. Was that a question? I couldn't hear you.

MS. KAUFMAN: I just said I understand that he doesn't agree.

MR. ANDERSON: Okay. Thank you.

BY MS. KAUFMAN:

Q. Do you have the report, Mr. Jones?

A. Yes, I do.

Q. Okay. If you will take a look at page 22 of 23, and it actually goes over to page 23 of 23. Let me know when you've had a chance to look at that.

A. I'm on page 22 of 23.

Q. Okay. At the very top, there's a recommendation for improvements to FPL's internal distribution cost estimates.

A. There's a list of recommendations. Which recommendation are you referring to?

Q. Were any of them implemented by Florida Power & Light?

A. Yes. My recollection is that a number of these had already been implemented, and then there were other implementations that followed, and one that we did not implement, to my recollection.

Q. Which one was not implemented?

A. It would be listed on page 22 of 23, number 3.

Q. And with the exception of number 3, the remaining recommendations have all been implemented? Is that what you're telling me?

A. Yes. They were either already implemented or implemented.

Q. Okay. If you would, flip back to page 17 in the report.

A. I'm there.

Q. Do you see at the top there are four recommendations listed there?

A. I see that.

Q. Do you know whether any or all of these have been implemented?

A. Give me a moment.

Q. Sure.

A. Recommendation number 1 says it has already been implemented. The characterization of that

recommendation, it's a little vague. We always are timely and responsive in discovery, and the staff has scheduled visits with the project team, and we provide them full access to the project information.

Recommendation number 2 --

Q. Well, let's look at number 1. What you're saying is that you were already doing this at the time that Concentric made recommendation number 1?

A. Yes. In my opinion, we provide full disclosure, and any request we get for information, we respond fully and in a timely manner. The staff audit group has regularly scheduled visits, and we provide full disclosure of the project.

Q. Okay. I just wanted to be clear if that was your view.

A. The recommendation does not outline any step-by-step specific process. It's kind of open-ended.

Recommendation number 2, this is a similar recommendation. FPL and the Florida PSC staff should revisit the issue of intra- and inter-cycle documentation production. The ongoing production of a limited number of key project documents could enhance the staff's understanding of the projects and how they are developing on an ongoing basis.

We pretty much stay in discovery year-round.

Again, I would defer this to staff, if they believe they're getting adequate document production. From our viewpoint, we're providing a tremendous amount of data and information to the PSC staff.

Q. So as to this recommendation as well, it's your view that you do this now and you were doing it at the time of the report?

A. Our position is that we have a tremendous volume of document production year round. Whether or not that meets John Reed's expectations, that would be a question for him.

Q. Right. I'm just asking for your view. It's your view that you were already doing this prior to the report?

A. Yes.

Q. Okay. What about number 3?

A. Recommendation number 3 was implemented.

Q. All right. And number 4?

A. Number 4 is implemented.

Q. Can you tell me, if you know -- and it might be different times, but when were recommendations 3 and 4 implemented?

A. Well, from the time that I came on the project in July 2009, our legal folks were providing guidance and instruction for people that were associated with

nuclear cost recovery. So I don't know when that started, but it was already in place, because I received guidance and instruction when I joined the team. So I can't tell you exactly when that started.

Q. But it's your view that it was certainly in place when you came on board in July '09?

A. I'm saying it was in place for me.

Q. Do you know the date of this report?

A. June 21, 2010.

Q. All right. I'm going to turn back to that testimony we were looking at, the March 2009. And if you turn to page 24.

A. March 1, 2011?

Q. The one we were looking at, uh-huh, page 24.

And let me ask you a background question first. There was a reorganization of the EPU project team; correct?

A. There was a reorganization of the nuclear division, of which the EPU project team was a part of that reorg.

Q. When did that happen?

A. That happened July 2009.

Q. Were you involved in that, or was that prior to your coming?

A. I was involved in that. There was a nuclear

organizational change that was announced late in July, and it involved taking the major capitals group, fuels group, and EPU group and reorganizing that group so that the EPU group was a stand-alone group that involved the promotion of people to site vice president, plant general manager, and reassignment of a couple of vice presidential corporate positions to site positions and from site positions to corporate positions. So it was quite a large reorganization.

Q. When you said you were involved, were you part of the team, if you will, that made the recommendation for the reorganization, or were you more the one that implemented them, or both?

A. I was involved in that. I was one of the folks that changed positions.

Q. You were personally involved, then. I understand. But were you involved in making the recommendations, if you will, that led up to the reorganization?

A. No.

Q. On page 24 that I directed you to, line 5 --

A. My involvement is that I was asked by my boss -- in preparation for reorganization and moving people around and making different assignments and redefining some of the functional areas, I was asked to take a lead

for an EPU stand-alone project and work with Rajiv Kundalkar and do a change of management plan and transition from this very large organization to a -- basically split the projects groups in half, if you will, and take it from a corporate-centric organization to a site-centric organization. So obviously, when the announcement came out of all the organizational changes, neither I nor anyone else involved was surprised. We were all talked to beforehand about what the overall game plan was and what we were trying to accomplish. So as a decision-maker, no; as a beneficiary, yes.

Q. Now, was Mr. Kundalkar involved as one of the persons making these decisions regarding the reorganization?

A. I don't know. Mr. Kundalkar is a very senior individual with a tremendously successful track record and background in a number of roles, everything from a site vice president to a corporate engineering manager to a major construction VP. And even though he was a direct report to my boss, as was I, whether or not my boss used him as a consultant or not, I would not know that.

Q. And who was your boss at that time?

A. Mano Nazar, the executive vice president and chief nuclear officer. He has responsibility for the

entire nuclear fleet.

Q. Is he still in that role?

A. Yes.

Q. Okay. Thank you.

All right. So on page 24, I wanted to ask you about the question that starts line 5, which is did FPL incur any imprudent costs in regards to the reorg, and you say no. I'm assuming, therefore, that there must have been some costs incurred for the reorganization. Is that right?

A. I can't think of any costs that would have been incurred as a result of the reorganization.

Q. Well, if there were no costs incurred, what is the purpose of this question regarding whether there were any imprudent costs incurred?

A. Just to make it clear that there were no imprudent costs incurred in the reorganization.

Q. And your testimony is that there weren't any costs incurred? Am I understanding that?

A. Well, I can't say that there was absolutely zero cost. I can tell that you the way the reorganization was done was reasonable, was prudent, and benefited the project. I can't think of any costs at all associated with the reorganization.

Q. Okay. I just wanted to be clear that your

testimony is that there are no costs.

A. Well, I'll tell you, I just don't like the characterization of that. If you tell me, "Well, gee, did you have a meeting and meet with people as a part of the reorganization," the answer is yes. And if then you say, "Well, did someone have to travel from St. Lucie to Juno," well, yes. "Well, was there a mileage charge associated with that?" Yes.

So there are no absolutes, but relative to what we're talking about here, there was essentially no cost. And certainly those things necessary to accomplish the restructuring of a major department -- and by "major department" I'm talking about the capital organization, the fuels organization, and the EPU organization. We wanted to streamline those organizations, and so that's what we did. In fact, I would say that that saved costs over the long run.

Q. I wasn't trying to mischaracterize your testimony, and I apologize if I did. I think what I heard you say is that there were some costs, and I'm just trying to get a handle on what those costs were.

A. Those costs would have been administrative in nature.

Q. And do you have a dollar figure to attach to that?

A. No.

Q. Is there anybody in the organization that would know what that number was?

A. No, because the people on the project, their cost is associated with their salaries and their incidentals, and that really doesn't change.

Q. Did you have any involvement in preparing for the nuclear cost recovery hearing that was held in 2009 in Florida?

A. No.

Q. You didn't review testimony or engage in any witness preparation? You had no involvement?

A. That's correct.

Q. All right. I just have one more line of testimony, and this refers, Mr. Jones, to your May 2nd testimony, if you can pull that out as well.

A. I have it.

Q. Okay. If you can turn to page 11, please. Let me know when you get there.

A. Page 11.

Q. Yes. Are you there?

A. Yes, I am.

Q. Okay. I want to talk to you about the Q and A that starts on line 14 where you're talking about the unanticipated schedule change for this year. Do you see

where I am?

A. Yes, I'm with you.

Q. Sorry. That was my cell phone ringing in your ear.

And you attribute it to an error by one of your vendors, Siemens; correct?

A. That's correct.

Q. And it says the outage lasted longer than planned. Can you tell me how much longer the outage lasted than what you had planned?

A. That error in regards to Siemens with the generator extended -- that had about a 22- to 23-day impact, that particular event. And that would be the extension of the Siemens scope of work. There were other things that are going on in the outage that contributed to the overall outage duration, but this event caused the Siemens scope of work to extend by at least 22 or 23 days.

Q. And will that have the impact of increasing the project cost?

A. Well, yes, there is risk that it does increase the project cost. We're working through that, and we're in those commercial discussions right now with Siemens.

Of course, Siemens is the original equipment manufacturer for the turbine generator, and that's why

we hired them. They are the subject matter experts. They do this all over the world. They have great procedures and a great track record, and it was our decision to go with them.

Also, just to give you a feel for this, this involves several hundred workers, this scope of work, that are deployed by Siemens. So this isn't something that we could do ourselves, and we certainly couldn't put a single person in the hip pocket of every single Siemens worker, because that's not cost-effective either. We have a small group that provides direction and oversight and logistics support for them.

Having said that, we can't prevent every single error from occurring. And while it's certainly not acceptable, it did occur. Now, the consequence is large, because these are large, complicated assets, and when a mistake is made, it has consequences.

Now, in our contracts -- and we are no different than any other nuclear power plant out there. The benefit for customers is for us to do refueling outages in a cost-effective, efficient way. And we, like the rest of the nuclear industry, instead of carrying hundreds more people on our staff to do this work on an infrequent basis, once every 18 months, we bring in the subject matter experts, the vendors that do

this outage over outage. [redacted]

[redacted]

By the same token, given that these are large, complex assets, when a mistake is made, as in this case, it's usually multiple days or even weeks of impact. And vendors, of course, will not perform the work, not here, not there, not anywhere, without a limit to their liability, because lost generation would put any one of these vendors out of business, and so they have limits to their liability. And so when I say we're in commercial space with these folks right now, that's our integrated supply chain and our legal department.

Of course, on any complex job like this, Siemens also has their claims with the company, that they could have gotten the work done faster had we not delayed them or had this tool or crane or something been available. So we keep book on each other on a day-by-day basis, and when we get through the refueling outage, we wind up debating that and settling that at the end.

Q. I guess what I'm trying to find out is, as we sit here today, am I right that there has been no dollar

amount placed on what this 22- to 23-day delay in the outage is going to cost? I'm just trying to --

A. Yes, we've calculated what the impact is to us. We know roughly what the impact to Siemens should be. I don't have all those facts and figures in front of me. The project team puts together all that detail and provides that to our integrated supply chain and our legal team, and that's their area of responsibility to go after Siemens to protect our interests and our customers' interests. So that's a hand-off from me to those groups.

Q. Do you know what the dollar impact on FPL is estimated to be?

A. No, not off the top of my head.

Q. Who in the organization would know that number?

A. That would be the site-specific project controls group and the integrated supply chain.

Q. Is there a person or persons?

A. There's a number of people that would have that information.

Q. Can you tell me who they are?

A. Well, it would be the -- if you're asking me if they know off the top of their head, the answer is no. Do they have it in the documents? Yes.

Q. I was asking for their names. Who would know? Who would have these figures regarding the estimated impact of the outage?

A. The site director, Alan Fata.

Q. What's his name? I'm sorry.

A. Alan, last name Fata, F-a-t-a.

I'm only hesitating because I don't really like putting employees' names out publicly. I just don't think it's appropriate.

Q. Anybody else?

A. I'm going to give you the titles. Site director, project controls --

MS. KAUFMAN: Well, I can't subpoena somebody by their title. Bryan, is there some reason he can't give me the names of these folks?

MR. ANDERSON: The names can be provided.

THE WITNESS: Do you want me to provide the names?

MR. ANDERSON: Yes, the names can be provided.

MS. KAUFMAN: Thank you.

THE WITNESS: Alan Fata, site director. Crawford English, project controls, the supervisor. The integrated supply chain person for the EPU project will be Mark Waronicki, W-a-r-o-n-i-c-k-i.

BY MS. KAUFMAN:

Q. Is that it?

A. Steve Reuwer, the implementation owner.

Q. Is that it? I'm sorry. It's hard when I can't see you.

A. That's all I can think of. I don't want to speculate on others.

Q. Now, in your view, is this outage going to require the additional purchase of replacement fuel or generation?

A. With St. Lucie Unit 2 not on line, there is certainly some other power source, fuel source that is in its place.

Q. Do you have any estimate of what that might be?

A. No, I do not.

Q. Now, on the next page, page 12, beginning at line 13 again, you're talking about pursuing your claim against Siemens, and then you say beginning at line 20 that you're not seeking to recover these costs in the nuclear cost recovery docket. Do you see that? It's on lines 20 and 21 in my copy.

A. Yes, I see that.

Q. Do you know, are you going to seek to recover them in the fuel docket?

A. That's not for me to decide.

Q. Is that out of your area?

A. That's out of my area.

MS. KAUFMAN: Okay. Just give me one second. I'm going to put you on mute for a minute.

I think that's all I have, Mr. Jones. Thank you for your patience.

MR. McGLOTHLIN: This is Joe. The court reporter requests a break. Can we take eight or ten minutes?

MR. ANDERSON: We'll come back at ten to. Is that okay?

MR. McGLOTHLIN: That's fine.

(Recess from 1:41 p.m. to 1:51 p.m.)

CROSS-EXAMINATION

BY MR. YOUNG:

Q. Good afternoon, Mr. Jones. My name is Keino Young. I'm with Commission staff.

A. Good afternoon, Mr. Young.

Q. I have a series of questions to ask you. I have quite a bit, to be honest with you. What I would like to do is go about 50 minutes to an hour, and then after that take a break, take a five-minute break after every 50 minutes to an hour. Okay?

A. That's fine.

Q. Also, during the course of my questioning, if

there is a question that you don't understand or you want me to rephrase the question, please don't hesitate to ask me to do that. Okay?

A. I appreciate that. Thank you. I will.

Q. Also, during the course of this deposition, I may ask you some questions, and your attorney may object. Unless he instructs you not to answer, Mr. Jones, you understand you must answer; correct?

MR. ANDERSON: Keino, I'll give the legal advice to the witness, but go ahead.

BY MR. YOUNG:

Q. Okay. Well, let me rephrase it. He might object, but unless he instructs you not to answer, if you can answer the question, please answer.

Did your attorney provide you a series of documents that I asked you to bring to the deposition today?

A. Yes.

Q. Okay. Great. Mr. Jones, you're sponsoring the final true-up for the 2009-2010 for consideration in this upcoming proceeding; correct?

A. That's correct.

Q. That's the final true-up filing for 2009-2010; correct?

A. That's correct.

Q. Okay. As an FPL EPU project manager, do you know the amount that FPL has requested for 2009-2010, final and not subject to ongoing review for the true-up?

A. I have it here. I don't have those numbers memorized off the top of my head. Give me just a moment to look it up.

MR. ANDERSON: Do you want him to look it up?

BY MR. YOUNG:

Q. Do you know if all the numbers are final? Basically, that's my question. Are the numbers final for 2009-2010?

A. Yes, they are.

Q. Is there an internal report or memo stating that the year-end amounts are final and fully audited?

A. I don't know the answer to that question.

MR. YOUNG: Okay. Bryan?

MR. ANDERSON: Yes, Keino.

MR. YOUNG: What I would like to do is ask for a late-filed exhibit, if the court reporter can tell me what number we're on.

MR. McGLOTHLIN: Keino, we think it's Number 7.

MR. YOUNG: Number 7? Okay. Bryan, can we get a late-filed exhibit? That will be Number 7, and the title for that, Bryan, will be "Finding of

FPL's Audit for 2009 -- 2010, excuse me, NCRC costs.

MR. ANDERSON: You're saying Finding of FPL's Audit for 2010 Costs?

MR. YOUNG: Yes, 2010 NCRC costs.

(Late-filed Deposition Exhibit Number 7 was identified for the record.)

BY MR. YOUNG:

Q. Mr. Jones, can you please turn to your May 2nd testimony?

MR. ANDERSON: Keino, before you go on, audit staff I think has our audit reports. If that's what you're wanting, you're welcome to them.

MR. YOUNG: Yes, that's what we want.

MR. ANDERSON: Okay.

BY MR. YOUNG:

Q. Mr. Jones, can you please turn to your May 2nd testimony filed for this year's proceeding, and specifically, Mr. Jones, page 14 of the testimony.

A. I have it.

Q. Do you see where you discuss the internal audit activities?

A. Yes.

Q. Okay. I'm not clear on the scope and purpose of the internal audit activities. Can you explain more

in detail whether the audit is a financial audit, or is it a Q and A audit?

A. Could you elaborate as to what the difference is?

Q. What I'm talking about is a financial audit that just looks at the numbers, a pure financial audit, whereas Q and A looks at the performance and everything else. Do you understand what I'm talking about now?

A. I think I do. The annual internal audit looks at how we classify our costs. It looks at our project controls organizations and the procedures that we have in place and if we are following those procedures. It also looks at expense reports to ensure that those are reasonable and there aren't charges unrelated to EPU.

I think one of the findings in this year's audit was that we had an employee who was doing some general employee training that's require for nuclear access. And that was challenged as to whether or not that's really separate and apart, so we made some changes in our instructions relative to that. Even though at the time of the testimony it wasn't final, the report is now final, and it was a very favorable report with few recommendations.

If you're asking me does the internal audit look at the cost estimate for replacing the steam

generator and feed pump and determine whether or not that is a reasonable estimate, or if it goes out -- or if we just replace the feed pump and spend X number of dollars to replace the feed pump, and it then goes out and looks and audits that, a financial audit does not do that.

Q. Okay. Moving on, I would like to get your understanding of what's being stated at page 3 in the seventh numbered paragraph of FPL's 2011 petition.

A. I'm on page 3. Oh, wait a minute. I'm sorry. I thought you were referring to the testimony.

Q. No, FPL's 2011 petition.

A. Okay. Could I have a moment read it?

Q. Yes. And specifically, let's look at the bottom of page 3.

A. Okay. I'm there, the bottom of page 3.

Q. All right. And do you see the phrase, "FPL is seeking approval of this amount and a prudence determination with respect to the underlying actual 2009 EPU and Turkey Point 6 and 7 costs"? Do you see that?

A. Yes, I do.

Q. Now, I understand a request for approval of the amount of prudence determination. What I'm not clear on, Mr. Jones, is FPL's intent in using the word "underlying." What do you believe is meant by that

word?

A. I think it's just linking the petition to or referring to the actual costs associated with the 2009 EPU and Turkey Point 6 and 7 costs. I don't think that word has any special meaning.

Q. Based on that response, does this mean that you -- does it mean to you that FPL anticipates filing subsequent revisions to the 2009 expenditures that are currently not fully known or disclosed?

A. No, we are not.

Q. In reading FPL's 2011 petition, I didn't see the word "final" associated with the actual 2009 costs. Are you aware of any reason, including FPL's policy or practice, that may indicate the 2009 costs are not final?

A. No, I have no information that the 2009 costs are not final.

Q. Also, in reading FPL's 2011 petition, I didn't see the word "final" associated with the actual 2010 costs. A similar question: Are you aware of any reason, including FPL's policy or practice, that may indicate that the 2010 costs are not final?

A. No, I have no information or knowledge or any reason to think that the 2010 costs are not final.

Q. Now, Mr. Jones, what I want to do is get some

clarification on the EPU project, your EPU 2010 testimony. Okay?

A. Okay.

Q. In that case, please turn to your March 1st testimony for the period 2010, and let me know when you're ready.

A. March 1, 2011, for the extended power uprates, 2010?

Q. Yes.

A. I'm there.

Q. Okay. On page 1, line 17.

A. Page 1, line 17. I'm there.

Q. You stated that you were appointed VP of Nuclear Power Uprate on August 1, 2009. And I think you went over this with Ms. Kaufman somewhat, but can you elaborate on how it came about that you became appointed to that position?

A. Yes. There was a reorganization of the nuclear fleet that involved a number of reassignments associated with reorganizing various groups and functions for the nuclear fleet. That's not unusual. It doesn't happen every year, but about once a year there are some changes, and every few years there are larger changes.

So I was the Vice President of Operations,

Midwest, in which I had accountability for the nuclear plants in the Midwest. And as a part of realigning some of the functions, and specifically the organization that had accountability for all EPU across the fleet and all major capital projects and engineering across the fleet, as well as nuclear fuels, the decision was made to break that down into smaller organizations and have the EPU as a stand-alone organization, and basically, if you will, divide the talent and responsibilities such that we had an organization to run the major capital projects that weren't directly related to EPU, which involves hundreds of millions of dollars, and an organization to run the EPU project. And then there was a realignment of the fuels organization, training organization, security, and all the rest, but that's not really -- that wasn't my concern.

And so I was asked to lead the effort to restructure this new EPU organization into a site-centric organization, to integrate it with the plant operations, given that -- and this was always planned, similar to what we did for the reactor head replacements that we had to do for four units. It starts with a corporate effort to lay out the strategy for contracts, procurement, and things like that, and then you establish site project teams and push the

authority and the resources to the site. Those projects aren't nearly as large or as complex as EPU, and there's a tremendous amount of work that gets done and incorporated during the online period.

One of my skill sets is really my operational expertise in how to integrate these major efforts into the plant operations without disrupting plant operations, so that was one of my attributes that determined that I would be suitable for the job. So I was a part of reorganizing really the nuclear fleet in a number of areas. I had the lead, and I worked with Rajiv Kundalkar on the change of management plan to separate out the two organizations and make sure that we had the right resources and talent to maintain all the going-forward functions.

Q. Well, let me ask you -- you talked about your appointment. Who made the appointment? Was it FPL or NextEra that made that appointment?

A. Well, I work for my boss. My boss is Mano Nazar. He's the executive vice president, and that assignment was made by him to me.

Q. And he was NextEra; right?

A. Correct. Actually, I don't know if he is NextEra corporation or if he is FPL company and in the affiliate fee. I know I'm an officer of the company and

a Florida Power & Light employee, and I'm in the affiliate fee, my costs associated with the affiliate company. But I don't know how the accounting is handled for the senior executives that have responsibilities across both companies.

Q. Okay. Now I'm going to ask you some general questions. Are you familiar with Section 466.93, Florida Statutes?

A. No, I'm not.

Q. Okay. Are you familiar with Rule 25-6.0423, Florida Administrative Code, which implements the statute I just mentioned above?

A. Mr. Young, I have no idea what you're referring to. I'm not familiar with those numbers or statutes of any of that. If you tell me what the context is, I may have some knowledge that may have some applicability to this project, but I would not recognize that by statute numbers.

Q. Okay. Are you familiar with the function and jurisdiction of the Florida Public Service Commission?

A. Yes, generally.

Q. Can you explain the nature and means by which you became familiar and your familiarity with the function and jurisdiction of the Florida Public Service Commission, quickly and briefly, please?

A. I've been in training and preparation as a fuel clause witness in other past proceedings and have a general knowledge from having worked in a regulated utility for 24 years, then specifically, you know, nuclear cost recovery clause, training and briefings on the requirements of the nuclear cost recovery clause. That has been my exposure to the Florida Public Service Commission.

Q. Okay. At line 22 of your testimony, which we're dealing with the March 1, 2011 testimony, you stated that your positions at FPL had included the VP of Operations, Midwest Region. What geographical areas, such as Florida counties, are included in FPL's Midwest Region?

A. If I understand the question, if you're asking me if there are any counties in Florida in the Midwest Region, the answer to that would be no.

Q. Just to follow up quickly, when you say Midwest, that means the Midwest United States, correct, not Florida?

A. I'm talking about Iowa and Wisconsin.

Q. Okay. Do your duties as VP of Nuclear Power Uprate include being familiar with the EPC contract and general oversight of the EPC contract with Bechtel?

A. Yes.

Q. Can you briefly describe how you became familiar with the terms and conditions of the EPC contract and when you became familiar with that?

A. I became familiar with the EPC contract as part of the transition to my new position.

Q. Okay. Prior to August 1, 2009, had you worked on any major projects with Bechtel where -- excuse me. Had you worked on any major projects where Bechtel was the EPC contractor?

A. Prior to August 1, 2009, the answer to that is yes. Bechtel was the procurer and constructor for the EPU at Point Beach Nuclear Power Plant, where I had direct responsibility for the operations of that facility. If we go back a very, very long time ago, when I worked at Turkey Point, Bechtel was onsite and provided both engineering and construction services at Turkey Point, but I was not in a managerial position at that time.

Q. Okay. Can I get you turn to your Exhibit TOJ-14?

A. I'm on TOJ-14.

Q. Okay. On TOJ-14, I noticed that you listed an item that is Point Beach specific. Do you see that?

A. I see that. That's a mistake.

Q. Okay.

A. Probably from our -- what we do is, from our list of -- as you can imagine, there are many procedures that would apply across all the EPU projects. And we're much more careful than that, obviously, and we'll make sure that we remove any reference to Point Beach, so I apologize.

Q. Well, that's not a problem. Let me ask you, are there any other items listed here that do not apply to the Florida uprate projects?

A. I'm checking.

These all are applicable to the Florida project, with the one exception that we've already talked about.

Q. Okay. Under the heading "Project Controls" -- do see that? Not including the word "Title," it's the third bold on the left-hand side of the page.

A. Yes, I have it.

Q. The second item down titled -- do you see that, "Forecast Variance and Trends?"

A. Yes, I've got it.

Q. Can you describe what the purpose of the forecast variance and trends control is?

A. I haven't specifically read that particular procedure. That procedure, the reason it's there under project controls is that that whole series provides

direction for the project controls organization on how to prepare forecast variances. And trends would be relative to -- we refer to trends as those things that our vendors have done that may have additional cost or maybe an additional reduction. This would be the specific instruction around building the forecast.

Q. On a going-forward basis, Mr. Jones, how will you know that the control is effective?

A. We have monthly project review meetings where we go through the forecasts and the trends. We also have internal audits for our project controls organization, as well as we will have an external auditor look at our project controls organization, the procedures, to see that they're following those. PSC staff also looks at our project controls procedures and requests source documents and invoices, at our project controls process. So it's a combination of things that we use.

Our nuclear business operations group, which reports to the nuclear business controller, who reports directly to the chief nuclear officer, audits our project controls and looks at our accounting classifications, our invoices, and provides oversight as well. They are independent of the project.

Q. All right, Mr. Jones. Project scope control

process, do you see that on the project controls?

A. Yes, I do.

Q. If I were to ask you the same questions I asked you just a minute ago, would the answers be the same?

A. With the difference that project scope control is how scope is added to the project, how it gets identified, how it gets processed. There's a form to use if someone wants to add scope or delete scope. And it governs how the estimations occur, the reporting, and approval levels. There are restrictions that are tied directly to approval levels for scope changes to the project.

Q. Okay. You show this control, the project scope control process item, is on the tenth version. To me -- I'm just trying to get a better understanding. To me, this seems rather high for a project that's only two or three years along. Can you briefly explain why the project scope control item is in its tenth revision?

A. As a result of routine audits and self-assessments we do, it's not unusual for us to make enhancements to our project controls process procedure. So each time we enhance the procedure, it's going to show up as a revision. I don't have it here in front of me, but I certainly can get it and go through the ten

revisions with you.

Some of them may have been -- they could have been anything from an organizational change, a change of reporting relationship and a title, to an additional check and balance that was recommended as a result of an audit that we may have added. So could it run the full gamut of the scope changes. But if you would like, we can get that document and sample those revisions.

Q. I don't think that will be necessary, Mr. Jones.

Moving along, the controls that we have reviewed today, is it your responsibility to verify that your project teams are using the controls in a timely and effective manner?

A. I'm accountable for everything that happens on the project. And in regards to the project controls organization, they directly report to me, so they're my direct responsibility. In my project review meetings, I look for anomalies or deviations. I'm a part of scope control approval. I'm also the only one that can authorize nuclear cost recovery scope changes, separate and apart, and then I also rely on the self-assessments and audits for my project controls organization to show that they're following their procedures and process. I myself do not go out and do a deep dive into assessment

of the project controls organization. I rely on others that are subject matter experts in that area to do that.

MR. McGLOTHLIN: This is Joe. The court reporter says that the witness has been fading in and out on her a bit. Going forward, just remember that she needs to hear you.

THE WITNESS: I understand. I just have some papers in front of me, so I'm trying to keep the papers from rustling in front of the microphone. I'll get closer to the mike.

MR. McGLOTHLIN: That's better.

BY MR. YOUNG:

Q. All right. Mr. Jones, can I have you turn to page 31 of your testimony?

MR. ANDERSON: Which one, Keino? Is it May, March?

MR. YOUNG: We'll still in the March 1st testimony.

MR. ANDERSON: Which hearing?

MR. YOUNG: 2010.

MR. ANDERSON: Thank you. I want to keep with you.

MR. YOUNG: Okay.

A. Yes, I'm with you, page 31.

Q. Mr. Jones, on page 31 of your testimony, you

stated that you are supporting FPL's 2010 actual/estimated costs on line 15. Do you see that?

A. Yes, I do.

MR. ANDERSON: What line numbers, Keino?

THE WITNESS: Line 15 says, "Did FPL perform a partial year true-up of 2010 costs in 2010?" That's the question, and the answer is, "Yes. The schedules presenting," that portion.

BY MR. YOUNG:

Q. Yes, sir. Now, let me ask you a question, Mr. Jones. What role did you have in preparing FPL's 2010 estimated/actual projections filed originally in May 2010 and then again in August 2010?

A. Those schedules are prepared by my project controls organization, which directly reports to me. Those are provided for my review in the form of this exhibit, and I look at those, and those match with what's in our monthly project control book as far as our actuals and estimated, which actually I see those on a week-to-week basis. When we close the books at the end of the month, that's when the month is really final, but we look at it on a week-to-week basis. But those are prepared under my direction.

Q. All right. Keeping on page 31, beginning at line 19, you discuss the development of the 2010 costs.

You discuss vendor information, and on page 32 you discuss what appears to me to be an internal support analysis. However, I don't see a specific reference to the Executive Steering Committee or any other senior management review and approval process in connection with the development of the 2010 actual/estimated costs.

Mr. Jones, my question is, am I correct to conclude that FPL's 2010 actual/estimated cost forecast was not vetted or required to be vetted through the senior review process?

A. The Executive Steering Committee, Senior Executive Steering Committee, is exactly that. It's a steering committee. And we made periodic reports to that committee, which my boss is one on that committee, obviously.

I just want to kind of frame that committee for a moment, if I could.

Q. Sure. Go ahead.

A. We provide the project status. We provide them with the risk that we're managing. We provide them with our project forecast information. We provide them with our actual spent for the year. And we provide them with our recommendation for a going-forward strategy or any significant changes that a senior executive may be interested in, such as we want to change the sequence of

the refueling outages, or we want to move a major portion of the outage from one year to the next, things such as that, big things, big things.

As far as the year-over-year, month-over-month budget, we're in our budget review cycle right now preparing our budgets for next year. When I say "we," I mean the entire company. And so with any large capital project that goes over many years, we go through the budget process no different than any other department.

And so we take the best information that we have and what our forecast is, and we say, "This is how much money we intend to spend in the next year." And that goes to our nuclear business operations, the nuclear controller, which is independent of the project. And that goes through review and approval just like any other business unit, all the way through the senior executives.

The Executive Steering Committee is not the one that actually authorizes my next year's budget. Are they aware of it? Certainly. But that's more of a policy setting, strategic direction kind of a -- it's multi-disciplined. There's only one nuke on that Executive Steering Committee, and that's my boss, and the rest are from the other business units. And so that's more senior executive oversight looking for

issues and problems and challenging us to make sure that we're performing well. They're not a "I'm approving that this spend is okay for next month." While certainly you have the president and CEO of FPL and the COO an president of NextEra Corporation, and they certainly are aware of the budgets, the approval process for budgets and expenditures goes through the normal process like any other department at FPL.

We also -- when our budget for the following year is set, if there's going to be a major change for some reason, we certainly communicate that real-time. We meet with our chief nuclear officer at least every two weeks, and usually weekly, because there's a lot of things that we're manging, to be quite frank.

In regards to your specific question, the very formal senior executives signing off for the year-to-date actuals for August -- I'm sorry, for 2010 and the going-forward forecast, we actually do that every month. That comes to me, and we provide that in our -- there's a monthly report that we provide to our senior execs, not only my project, but enterprise-wide, and it's called a monthly operating performance report where the senior executives go through what the expenditures are in each business organization. And that's for the purpose of monitoring and whether we're

meeting our monthly forecasts and projections, whether it be underruns or overruns.

Your question was kind of wide open, but I felt I needed to tell you a lot about how we run our enterprise to be able to answer that question. For the purpose of this filing -- this is a filing. This is a special request called nuclear cost recovery where someone has said, "Tell me what you've spent year-to-date, and tell me what you're going to spend the rest of the year." I get that question every single month and have to provide that to the Management -- MOBR. I know the acronym, but I forgot the name. But as far as putting that information in here, the buck stops with me.

Q. Okay. Thank you, Mr. Jones. Can you look at page 32, line 12? On the one I have it's line 12, Bryan. It might be a number different from yours, a different line, probably line 13 or 14.

MR. ANDERSON: I think we're good.

MR. YOUNG: Great.

BY MR. YOUNG:

Q. Mr. Jones, you asserted -- on lines 12 through 15, you asserted that careful vendor oversight, continued use of competitive bidding when appropriate, and the application of the robust internal schedule and

cost controls and internal management processes all support a finding that FPL's actual/estimated 2010 expenditures were reasonable.

Now, Mr. Jones, you made the statement in reference to 2010 actual and estimated expenditures. Do you have any reason to believe that the statement is accurate with respect to the final 2009 expenditures?

A. The same statement would apply to the 2009 expenditures. I believe that should be in my other testimony.

Q. All right. Just to follow up, you believe that FPL had careful vendor oversight and robust internal cost controls and a robust internal management process during 2010?

A. Yes, I do.

Q. All right.

A. And that's the reason we have people come in and audit those and help us maintain those controls in place and enhance them where practical.

They're not perfect. I didn't say that. I don't know anybody that is. I believe we work extremely hard to do this right. In fact, I've never seen an internal audit report that didn't have a recommendation for improvement. If I ever do, then it wasn't a very good audit.

Q. All right. Moving along, Mr. Jones, did FPL file an errata sheet in the 2010 filing in Docket No. 100009-EI that included changes to the data and exhibits you supported?

A. Yes, we did. You gave a specific number, so I need to verify that number.

MR. ANDERSON: Do you have the document in front of you, Keino? I just want to make sure we're talking about the same thing.

MR. YOUNG: No, I don't have the document in front of me right now.

BY MR. YOUNG:

Q. It's just -- subject to check, Mr. Jones, would your answer be the same?

MR. ANDERSON: Do you want to reread your question again?

BY MR. YOUNG:

Q. Did FPL file -- subject to check, did FPL file an errata for its 2010 filing in Docket No. 100009-EI that included changes to the data and exhibits that you, Mr. Jones, supported, again, subject to check?

A. Yes, that sounds right.

Q. Mr. Jones, keeping with the same testimony, could you please turn to page 38. Are you there?

A. I'm on page 38. Is that the page with the

conclusion?

Q. Yes.

A. Okay. I'm there.

Q. I'm looking at line 12, and what I'm looking specifically at is, "FPL is confident that its EPU management decisions are well-founded and prudent." Do you see that sentence, and keep going until the end?

A. Yes. "All costs incurred in 2010 were the product of such decisions, were reasonably and prudently incurred, and should be approved."

Q. Assuming these assertions are correct and true, can you conceive of any event that would trigger FPL filing an errata on the final 2010 costs?

A. I can't conceive of any event that would cause us to file errata relative specifically to the 2010 costs.

Q. Okay. Now, can you please turn to TOJ-16, which is just a couple pages over, your Exhibit 16 to this testimony?

A. I'm there.

Q. Other than a daily report, I did not see anything that indicates the extent of the forward period addressed by these reports. Can you please walk us briefly through each report and tell briefly what the forward period is, if any?

A. Well, on the -- I can start with report number one if you would like, where it says PSL, PTN Daily Report. Are we on the same page, TOJ-16, page 1 of 2?

Q. Yes.

A. Okay. PSL is the acronym for the St. Lucie plant, and PTN is the acronym for the Turkey Point plant. And there's a daily report that's produced that has activities associated with license amendment requests. It has activities associated with design engineering, planning, issue management, and critical station interfaces. And as it says, it can go out as far as six weeks. It provides a look ahead.

Is that the type of information you're looking for?

Q. Yes. (Inaudible.)

A. Yes. The executive VP --

MR. McGLOTHLIN: This is OPC. We need to break in. Keino, for some reason you broke up when you were asking that last question. Would you start that again, please?

MR. YOUNG: The TOJ-16?

MR. McGLOTHLIN: You had referred him to that exhibit, and then you posed a question that broke up for some reason.

BY MR. YOUNG:

Q. I was just -- okay. Just to repeat the question, can you please walk us through each report briefly and tell us what the forward period is, if any, briefly and succinctly, if you can?

MR. ANDERSON: You know, what does "forward period" mean? I don't understand. Is that what you're saying, f-o-r-w-a-r-d? Do you mean a report about what's going to happen? What are you saying?

MR. YOUNG: Yes, a report that's going to happen. For example, Mr. Jones mentioned the six-week period moving forward for the daily PSL and PTN daily report.

MR. ANDERSON: I see what you're saying. Thank you.

BY MR. YOUNG:

Q. Mr. Jones, I think you mentioned -- you did the PSL, PTN daily report, and then you were on the executive VP and chief nuclear officer summary. Can you please start from there?

A. Yes. At least once every two weeks we meet with the chief nuclear officer. Really, it's pretty much once a week, but a minimum of once every two weeks.

And in that meeting, we provide a summary of LAR engineering, NRC activities, current status, what's coming up. We provide a status of design engineering

and progress against the milestones. In a report for the senior vice president, he's really interested in the big issues and are there any actions that he needs to take.

It also provides where we are in the planning, and it provides -- we always provide the current cost forecast relative to the previous filing. And we'll provide the total cost forecast, which is just our best view for the end of the project.

We'll also provide a risk matrix, which is every risk that has been identified, and so that could be the short-term risks or a risk that isn't going to -- something we're going to have to deal with in the fall of 2012. So we show them the risk matrix. You can imagine that it doesn't change a lot week over week, obviously, and he becomes quite familiar with our risk matrix and our project forecast.

Q. I'm sorry to cut you off. I'm sorry. I'm just looking -- Mr. Jones, I'm just looking for the forward period in terms of --

MR. ANDERSON: You're asking how far ahead the things that are on the report they talk about? You're just looking for that?

MR. YOUNG: Yes.

A. Sure. The weekly is the current status

report. What I'm trying to tell you, Mr. Young, is that there are things that are listed on that report that are in the out years. It's not -- I don't want you to think it's a schedule, that I'm walking in there with a schedule of 10,000 activities that I'm walking through for the next six months. No. That's not appropriate for a senior vice president. I'll tell you I don't go through the engineering schedule. I'm looking high level, when does this package come due, when that package needs to be done. I'm looking at the milestone schedules for the level of review that I do for schedules.

But the forward-looking part of that piece would be the overall project forecast, which is always provided, and things in the risk matrix that are out there in the future. That would be the most forward looking part of that report.

Q. All right. What about PSL, PTN accrual report?

A. Accrual report? That's just a report of the accruals, which is what we're spending in each one of the major vendor categories.

Q. All right. And the variance?

A. The variance is your -- the forward part of that is, it gives your actual cost to date every month,

and it shows the forecasted expenditures on a month-by-month basis in each one of the major categories to the end of the project, and so from that, you can derive cash flows. Now, the further out you get, the more uncertainty there is with that. But that's our best effort on predicting the cash flow for the project.

Q. Okay. The monthly operating performance report?

A. The monthly operating report is a status report that -- the forward-looking part of that is, we put on there how we're doing against the plan schedule, and we put the total project forecast on there. It has much more than that, but the "much more than that" is all real-time, month over month.

Q. Okay. The risk matrix?

A. The risk matrix, which is a part of the project management report, we provide that in a number of formats. I mentioned that it's in the work for the chief nuclear officer, and it's in the monthly project report. It has all the risks that we know to date, and so that's risk that's real-time as well as any risk that we're forecasting or worried about to the end of the project. So the forward-looking part is -- most of the risk matrix is forward-looking.

Q. All right. The LAR schedule?

A. The LAR schedule is all forward-looking, because it's about where you are today, and you're trying to anticipate what the NRC is going to do.

Q. Modification schedule?

A. That's all forward-looking. That has the -- for every single modification, the planned progress on a mod-by-mod basis until the design is final.

Q. Okay. The monthly cash flow charts?

A. That's both backward-looking from the beginning of the year, the actuals, and forward-looking to the end of the project, what your planned cash flows are month over month.

Q. Executive Steering Committee meeting presentations?

A. The Executive Steering Committee presentations, that's a high level project status, indicator packet. It provides the total project forecast. It provides a schedule and preparations to meet those schedules. So it's basically -- the forward-looking part of that is the communication for how we see this unfolding from now to the end of the project. It has a risk matrix in it. But primarily it's a status report, what has transpired since the last time we talked to you, and then what are the things that are coming at us, but it's not a schedule.

Q. All right. I want to skip the Bechtel status report and go to -- because I've got a question on the Bechtel status report, and go to the vendor integration meeting presentations.

MR. McGLOTHLIN: Keino, this is Joe. I don't like to interrupt, but if you're changing subjects, would this be an appropriate point to take a short break?

MR. YOUNG: We'll take a break after. We've only got two more, Joe, and then we'll take a break, because I want to go through this exhibit first. Okay?

MR. McGLOTHLIN: Okay. Just remember that the court reporter has got the hardest job of any of us, and she's about to that point.

BY MR. YOUNG:

Q. Okay. Quickly, Mr. Jones, can you explain the vendor integration meeting presentations, the forward period of it?

A. The forward period of it is what the vendors plan to do going forward to improve or enhance their performance. That's the forward period of that report.

Q. All right. And the Bechtel status?

A. The Bechtel status report, the forward-looking part of that is their forecast for completion of their

engineering and planning projects, and also they provide their forecast of what they think their costs are going to be to the end of the project.

Q. Mr. Jones, quickly, we'll do that question before we take a break. I notice that in the Bechtel status report, it requires a weekly for the St. Lucie, but only a monthly for Turkey Point. Why is the period different for these two sites?

A. I don't know. There are two different site organizations, two different site directors. I don't want to speculate, but I guess one required it weekly and the other one required it monthly.

MR. YOUNG: Joe, we can come back at 3:00. Okay? Is that okay, Joe?

MR. McGLOTHLIN: Let's take 10. That's 3:03.

MR. YOUNG: Okay.

(Recess from 2:53 p.m. to 3:04 p.m.)

BY MR. YOUNG:

Q. Mr. Jones?

A. Yes.

Q. A new line of subject. If I can have you turn to TOJ-17 --

A. Mr. Young, before we go there, I did want to -- you were asking me specific questions about forward-looking, and I wanted to make sure that I

characterized these reports appropriately, you know, given forward-looking, such as an engineering forecast. The things in the near term, of course, that's much more predictable and reliable. But those things, once they get out several months or a year from now, we qualify that information.

And you can see the frequency with which we provide that information. And our senior executives are very familiar with the variability and how subject to change those forward looks are. You know, we meet quarterly with the senior execs or as necessary if we see a significant course correction coming.

Q. Okay. Mr. Jones --

A. I also just wanted to clear up the record a little bit. I was asked earlier about the vertical axis on the plant change modification, and that --

(Interruption.)

MR. YOUNG: We can go off the record for a second.

(Discussion off the record.

BY MR. YOUNG:

Q. Okay, Mr. Jones. We're back on the record.

A. Okay. For the record, the question in regard to what is the Y axis, the Y axis is the number of modifications, not the percentage of modifications. It

was just hard to distinguish, because 23 packages complete versus 23 percent, the numbers were so close, we just needed to go validate back to the source.

MR. ANDERSON: And, Joe, that was to clear out your question on that subject.

MR. McGLOTHLIN: I understand. Thank you.

BY MR. YOUNG:

Q. Mr. Jones, we'll pick up on something that Mr. McGlothlin asked you to look at, Exhibit TOJ-17. T it's one exhibit after --

A. We're still in the March 21 testimony?

Q. Yes.

A. Okay. I'm on TOJ-17.

Q. All right. A question for you. Can you please clarify what plant change modification means as used here?

A. Plant change modification -- I'm sorry. I heard some feedback. Plant change modification is a term that's used to describe an engineering design modification package.

Q. All right. Let me ask you something. An increase in plant change modification, PCM, signifies what about a project if all other factors are equal?

A. Could you be more specific?

Q. For example, if PCM increases and nothing else

about the project increases, meaning they stay the same, what does that mean about -- what does that mean, basically?

A. I think I understand the question. The number of modifications can change throughout a major project, certainly one of this magnitude. There are modifications that get canceled. We get to a certain point in the engineering, and we come up with an alternative to the modification. There are modifications that get added. And so if the number net-net is going up, then that means that you're still in discovery in regards to the design engineering.

So it could mean any number things, so let me just run through the short list. It could mean as part of the LAR engineering analysis that we're not able to get an acceptable result, an adequate margin, and that you may have to make a modification to the plan. An example of that would be that through analyses, we're not -- for a nuclear event inside the container building, we did not get an acceptable result concerning the pressure inside the container building, and to address that, we may have to make a modification in regards to the containment purge system, which would be a physical plant modification. So it could be driven from the accident analysis engineering.

It could also be driven by you're doing a modification to install larger valves to accommodate more flow, more energy, and as you're doing your engineering to size the valves and orientate the piping, that would now lead you to evaluate the structural steel and the supports for that additional weight of the valves, the piping, and the mass that's going to be inside that pipe, and that could lead you to make a structural modification, which would then spin off a separate engineering package to address that structural modification.

If it's minor and just needs additional piping supports, you would make that a part of the valve/piping modification package.

It could be that a modification has just gotten too complex, like the example that I gave you, and it is more efficient to break the modification up into pieces to allow something that may have a long lead, such as a safety-related value, to get through the modification process, to get the material and get the planning for the installation and do the structural modification separately. So it may mean that you've taken a modification that through iteration has gotten quite large, and now it's holding up a line of work, but if you broke it up into smaller pieces, you could

release a portion of that into construction planning.

It could also signify that -- I'm rethinking what I thought. Some of these design packages are what we call "document only." Those are around subpoint changes, and those are driven as you get -- as you go through the design phase, you discover changes that you're going to have to make to other systems and the integration, and it may be just what we call a "doc only." No physical change in the plant is required.

So in answer to your question -- and I thought your question was, if the absolute number of modification packages is changing, what does that mean? I answered it in regards to what are the drivers that cause that number to change. Is that what you're looking for?

Q. Yes, absolutely.

TOJ-18, Mr. Jones. Now, it's my understanding you discussed this with, I think, Ms. Kaufman, if I'm not mistaken.

A. Well, we started with -- okay. What's the question?

Q. All right. All the contracts listed in this Exhibit DOJ-18 refer to the same scoping document. I observed the same for your Exhibit DOJ-9 addressing the 2009 period. Why is it that the same scoping documents

are shown over and over again?

A. I think this is the information that was requested to be provided, which is, what are the modifications, what was the source or the driver for the modification. So therefore, a plant modification is borne out of a scoping document, and so for the condensate pump -- let's pick one.

Q. Mr. Jones, I would like -- I'm sorry. Did I cut you off?

MR. ANDERSON: Do you have a question?

MR. YOUNG: I just wanted to make sure he got to answer the question I asked. I didn't mean to cut him off.

A. I want to make sure I fully answer your question. Let's just pick main steam isolation valve update, St. Lucie components, the very first one on the list.

Q. Yes, sir.

A. If we go all the way over to the right-hand side, scoping document, it's FPL Feasibility Study 2007, St. Lucie Nuclear Power Plant, Balance of Plant, Extended Power Uprate, Scoping Study, February 2008. So initially -- and again, I would have to go back to these scoping documents, but the way I read that is this upgrade was predicted back in the feasibility study in

2007, and it looks like confirmed in a scoping study that was done February 2008 as having to be necessary. And so it was initially identified in '07 as a probability, so that was the very first scoping document that said, "You know what? You better go do some engineering and look at this, because there's some probability you'll have to do this upgrade." And then there was a confirmatory scoping study that says, "Yes, in fact you have to do that."

So year over year, this modification is not going away. In fact, it's a modification that we're going to do as a part of the uprate. So every place it's going to show up in my testimony as a modification that's listed, and what was the source document that drove it into the scope, it's going to be the same.

Q. Okay. So let me ask you this. Am I correct that FPL performed, for lack of a better term, a bottom-up or line-by-line scoping review of the EPU process for 2009?

A. I think that line-by-line has been overcharacterized, and it means different things to different people. As a part of the engineering for the project, part of the iteration of the engineering is to find the most efficient, effective way to accomplish the goals, whether that be more flow, more energy, you know,

whatever the objective is of that modification to support the higher power output. And as a result of that, that scope could expand or contract around that modification, or even be eliminated.

Case in point: We were able through the engineering analysis to eliminate the replacement of the low pressure feedwater heaters. So in July 2009, as we were moving from a very conceptual stage -- as I recall, in July, we were about 2 percent of the engineering done -- there was a conscious effort to say, "Let's make sure we're doing the engineering in a sequence that doesn't just look at when it's needed."

Do you follow me? The EPU is being accomplished over a number of outages, and so one view would be tha tI don't need that modification or that design work done until a year from now. But if it's a big, complex modification that has a lot of risk and a lot of cost with it, then you want to prioritize that and potentially move that one forward and accelerate that and determine whether it's really necessary or not or give yourself more time to minimize the impact of that, if that makes sense.

Q. Yes, sir.

A. A line-by-line to me is if I have a tremendous amount of definition around what we're talking about,

including a basis document, right down to every last nut and bolt, and assumptions well documented. That's what I consider a line-by-line. And I keep hearing the term over and over again. In fact, my own organization used it, line-by-line, at the July 25th meeting. I was there, and in my view, that doesn't fit the definition of a line-by-line.

In my view, a line-by-line is a budget, a financial review for a very well-defined scope of work, very well-defined cost components. Like if I'm going to overhaul an engine in a car, I know exactly what the labor rate is, and I know exactly how many hours. It's been done a hundred times before. I know exactly what the rebuild kit is going to cost. So that level of detail is there, something for me to really sink my teeth into.

July 25th was -- while there's certainly lots of lines on the paper, those were conceptual estimates and nothing more.

Q. Okay. Let me ask you this, Mr. Jones. Are any of the items listed in TOJ-18 in response to the 2009 review effort?

A. I really can't answer that question without doing a lot of research. Clearly, I know some are, and probably some aren't. The ones that aren't here could

have been a result of the scope review of 2009. Some of the ones that aren't here could have been the result of -- let's see. When was this filed? Was this filed -- this is March 1, 2011. It certainly could have been an effort of changes to this list between '08, '09, and where it is today, because it is as of December 31st. It most certainly could have been the result of engineering efforts in 2010.

Q. Okay. Can you please turn now to TOJ-19?

A. Before I do that, can I take a moment and see if I can find an example?

Q. Yes, briefly.

A. Sure.

Q. Mr. Jones?

A. I'm here. I don't want to speculate, so I'm ready to move on.

Q. No problem. We can move on, then.

A. Some I know were definitely identified in 2010, and I was going to look them up. It doesn't matter.

Q. For example, would an example be the LAR engineering scoping document?

A. Can you point me to a reference?

Q. No, that was just a question. Let's look at TOJ-19.

A. TOJ-19. I'm there.

Q. Okay. What I would like to do, Mr. Jones, is to confirm that I'm reading this chart correctly. Okay? At Turkey Point Unit 3, there were approximately four months from the time all the engineering would be completed until the beginning of the outage implementation phase; is that correct?

A. Turkey Point Unit 3?

Q. Yes.

A. Which outage? Are you talking like line 19, or are you talking line -- approximately 23, 24? Because we did EPU upgrades in the fall of 2010.

Q. No, I'm talking 23, 24.

A. So 23, 24, the final implementation.

Q. Yes.

A. As of December 31st, it shows the engineering design completing a few months before the Unit 3 outage; that is correct.

Q. Why was the time line a reasonable expectation for Turkey Point 3 activities?

A. Could you repeat the question?

Q. Why was the time line a reasonable expectation for the Turkey Point 3 activities?

A. I'm not following you. Reasonable in regards to what?

Q. The short time frame in terms of the four months?

A. Well, if you look, the engineering started back in 2009. So the engineering package is complete. The work order package and the construction are planned. So all we're showing is when the last modification will be done. And we've sequenced modifications so the higher risk, more complicated modifications get done first and the ones with less risk and less construction impact are the lower priority and completed at the end of the window, and we are working to that plan.

As I stated earlier today, we did have issues with engineering and resources, and Bechtel has responded accordingly and is following their revised plan.

Q. Okay. Based on what we know today, is the schedule for TP-3 still as shown, or has it changed?

A. Unit 3 EPU implementation, that shows starting right around January 1. And since we filed this, we revised our operating schedule about March or April, and that one is -- I believe it's around the first week in February. Last week in January, first week in February, thereabouts.

Q. The St. Lucie Unit 2 outage that started in January of 2011 --

A. Mr. Young, was there a question relative to the LAR?

Q. No. St. Lucie Unit 2, the outage that started in January of 2011 was planned for an 82-day outage; correct?

A. I don't think that's correct. I'll have to go back and look at what our business plan goal is at. We have a stretch goal, and we have a business plan goal. The stretch goal we use -- we want people to schedule for the best and plan for the worst contingency. I would have go back and look at that number.

Q. Okay. We'll come back to that.

TOJ-20.

A. Okay. I'm there.

Q. Page 1 of 5.

A. I'm there.

Q. What actions did you take to verify the amounts that appear on these pages?

A. These dollar amounts come right out of our cost reports that are validated and verified by our project controls organization, and they are provided to me by my director of project controls and certified that those are accurate and correct, and those line up with what's in our monthly reports. I see these numbers every month.

Q. Okay. Mr. Jones, you are supporting the prudence of FPL's action regarding the EPU project that resulted in the 2009 actual and final true-up amounts; correct?

A. That's correct.

Q. Do you have your March 2010 testimony addressing the EPU -- I mean the 2009?

A. Yes, I do.

Q. Can you turn to that for me, please.

A. That's the March 2011 for the 2009 uprate?

Q. Yes.

A. I have it.

Q. Just for a point of information, I'm not going to focus on the 2009 schedules. I'm just going to address just the testimony and the exhibits attached to the testimony. Okay?

A. Okay.

Q. All right. Page 1, line 17.

A. I'm there.

Q. One second, please.

Mr. Jones, are you aware of any Florida EPU project decisions made prior to August 1, 2009?

A. Yes, I am. I'm aware of a lot of decisions that were made prior to July 2001 (sic). That was a part of the transition and turnover plan, and all

project documents were turned over for my examination.

Q. So prior to filing your testimony in this proceeding, you did review the contracts listed in TOJ-9?

A. I reviewed TOJ-9. Mr. Young, it's not practical for me to review each and every contract on this project. That is not possible. That would take me out of my -- I would not be able to do my role and responsibility of governance and oversight if I were to take on that role. I have people that are subject matter experts that have that accountability to make sure that when they list a contract number, that is in fact the right contract number.

Now, there are contracts I've taken a special interest in and I've read personally, and one of those would be the Bechtel contract, and the other one would be the Siemens, because those are the lion's share, if you will, of the implementation cost, which is where our greatest risk is.

Q. In 2009, did you participate in the revisions of the contracts listed in TOJ-9?

A. Those contracts that would have been amended or revised that would require my approval, I would have approved those once I was in charge of the project. Those revisions or amendments that occurred prior to me

taking over the project, I would not have been in the review or approval chain for those.

I don't approve every change to every contract. It depends on the scope of the change to the contract, driven by the dollar amount. At different levels of my organization, people have different approval authority, and then they're subject, as I am, to internal auditing to make sure we're following that process.

Q. Okay. Keeping with the testimony and the exhibits in this March 1st, TOJ-2.

A. I'm there.

Q. Would it be fair and correct to say that what you listed in TOJ-2 are the 2009 instructions and procedures for the EPU project staff and managers to follow and implement during 2009?

A. Those were the procedures as of December 31, 2009. Some of those, you will note -- you've got to pay attention to the issue date. If there was one that was issued late in 2009, obviously, it wasn't there to be followed until the point of issue. For example, I just spotted one. The very last one was issued November the 12th, 2009, EPPI number 920.

Q. All right. Mr. Jones, I want to ask a foundation question and then do a follow-up. Do you

believe the EPU project staff and managers appropriately followed and implemented all these instructions during 2009?

A. Yes, I do. And again, let me say that no one is perfect, and we do have an occasional deviation from the standard. And when we do that, we coach, we counsel, you know, we correct. Sometimes it's because the process is hard to follow, and sometimes it's a lack of training, or maybe even awareness. But, yes, that is the expectation, to follow these procedures and processes and report any deviations therefrom.

Q. And what's the basis for this belief?

A. Self-assessments performed by the project, where we have people on the project perform self-assessments to check for compliance, and they will find instances of noncompliance or deviations and document that in a corrective action program, which gives me an indication people are being self-critical.

Also, external audits as well as internal audits that examine our processes and how we follow those procedures. And I've mentioned nuclear business ops that reviews our practices against those procedures, including our accounting classifications and how we do our accruals, as well as PSC audit staff comes in and -- of course, it's a short period, but they also try and

sample a couple of these processes and invoices while they're here.

Q. Mr. Jones, you talked with Ms. Kaufman about the Concentric report, and I think you might have talked to Mr. McGlothlin about it also today. My question for you is, are you familiar with the June 21, 2010 investigation report prepared by Concentric?

A. Yes, sir, I am.

Q. All right. Can you please turn to page 5 of 23 in the attached order?

A. I'm on page 5 of 23.

Q. Mr. Jones, this is one of the documents I asked counsel, Mr. Anderson, to provide you for this deposition. Okay?

A. Understood.

Q. And that's Order PSC-10-0542-CFO-EI. Do you have that?

MR. ANDERSON: Keino, just to confirm, PSC-10-0542-CFO-EI; is that right?

MR. YOUNG: Yes.

MR. ANDERSON: We have it.

BY MR. YOUNG:

Q. And looking at Attachment A.

A. Mr. Young, could you repeat the attachment number? Did you say Attachment A?

Q. Yes. It's page 11 of the order, and you'll see it has "Confidential" at the top and the bottom, and it's page 5 of 23.

A. All right. I'm there.

Q. On page 5, it states that -- it's the last paragraph that starts "In April 2008." Do you see that?

A. I see that.

Q. And it's the second sentence, the second sentence, which states, "At this time, the PSL project team initiated Condition Report 2008-11443." Do you see that sentence?

A. Yes.

Q. "Which stated the EPU project feasibility study may not have captured the full spectrum of modifications necessary for the uprate." Do you see that?

A. I do.

Q. You would agree with me, Mr. Jones, that the condition report is critical of the original FPL and Shaw scoping estimate; correct?

A. I have not read the condition report, so I can neither agree nor disagree.

Q. Let me ask you this. Are you familiar with the project management team fast track, the term "fast track"?

A. Yes, I am.

Q. In 2008, the EPU project was fast tracked; correct?

A. The EPU project is a fast track modification, from the first day through today, and will be through the end of the project. I just want to be clear about that. In other words, when we started the project, we were already past the normal design and planning milestones. That was a conscious decision by the senior executives to fast track the project rather than follow the normal process. That way, the customers could get the real benefit of the megawatts earlier.

If you put it through the normal process, then you're going to do LAR engineering, and once the LAR is reviewed and approved, then you go do the design engineering. On a project of this magnitude, it would take probably a full year to estimate, and then it would take the next several outages to implement, which would probably take about 12 years. And the customers would lose out on the benefit of the nuclear megawatts as opposed to natural gas, and would further put the state at risk by depending on more natural gas as opposed to maintaining some sort of fuel diversity. So that was a conscious decision by senior executives.

The policy and strategy which the need filing

was based on, the PSC certainly understood that. That's why they came up with nuclear cost recovery to start with, was to create that advantage.

What comes with that is, when you're going to fast track a modification, I can't give you certainty around cost, because I'm doing the engineering and planning and implementation in parallel phases. That's the trade-off. It doesn't mean that the cost is out of control. What it means is that it's hard for me to answer the question and give you an estimate as if we were performing a normal job.

Now, by the time of this condition report, the EPU project feasibility study may not have captured the full spectrum of modifications necessary. That is not news to FPL senior management. They knew that. It was a conscious decision. The scoping study was just that, a scoping study, what are those types of things that we're going to get into, those types of things that we're going to have to engineer and plan for. So I just want to put that in context.

And I can appreciate, and I don't mean any -- I'm trying to keep my answers brief, but at the same time, I am trying to take a little bit of time and explain how one of these major projects is put together.

And if I were the site vice president at

Turkey Point and my only concern was operations and you asked me the exact same question, I would give you the exact same answer when it comes to major construction projects that you're fast tracking, whether it be to benefit the customers or because it's an NRC-mandated change, which we also have those, like the NRC security orders that came after 9/11. We didn't get to do our normal project process. It was seen as a safety benefit, and therefore we fast tracked those modifications, and we didn't have any certainty around the cost around those. But it's the same process. That one was done for safety; this one is done to benefit the customers.

Q. Okay. Mr. Jones, one page over, page 6 of the same exhibit --

A. Mr. Young, I just want to make sure that -- you know, as much as we, you know, spend communicating with our employees, the project controls folks that wrote that condition report and raised that flag were doing exactly what I would expect with them to do. They can't possibly know what the strategy of the senior executives and the strategy of the Florida Legislature was at the time. That's a little beyond their purview. So that's exactly what I would expect them to do, is say, "Hey, this isn't per our normal process, and we're

raising a flag." So I want to make sure that you don't interpret what I say as meaning I look at the project controls organization as having done something they should not have done. They absolutely were following the process.

Q. Very well. All right. Page 6, the fourth full paragraph. And the paragraph starts, "A second meeting to review the revised PCL forecast occurred in February 2011." That's what the paragraph starts with.

A. A second meeting --

Q. 2009, excuse me.

A. I'm with you.

Q. In the middle of that paragraph, it reads, "A forecast of approximately 785 MM for PSL, an increase of approximately 129 million." Do you see that?

A. Yes, I do.

Q. Okay. I'm trying to find out what is meant by "budget." Okay? Basically, I don't understand what is meant by "budget" here, because it's not in the document. Do you know?

A. I would say the word "budget" is used in error in this sentence. And whether it came out of an EPU project report or whatever the source was doesn't change the fact that that word is in error. It would be correct if it said "over total project forecast." That

would be correct, but not budget. Budget is year over year and month over month. Does that make sense?

Q. Yes.

A. I don't have an approved budget yet for 2012, if that helps you.

Q. Okay. So based on your -- I'm sorry. Go ahead, Mr. Jones.

A. I'm done.

Q. Based on your work experience and as the EPU manager, what does the term "budget" mean to you?

A. "Budget" means to me as I go through the budget planning cycle here this year, whether it be for the EPU -- well, you said for the EPU project, so for the EPU project, we take our best known information as we know it right now, and we put together a forecast for what we think the spend will be in 2012. And 2012 happens to be our most difficult year to predict. It has been since 2009. It's a little easier today, because I'm no longer at 2 percent engineering. I'm at 60 percent engineering, but it's still a very challenging chore.

So a budget means to me that I'm going to provide that information, and it's going to get vetted over the next many months, and around about October or November is when I'll get final approval, after I've run

through a number of vetting sessions and challenges, on what my budget is going to be for 2012 for the project. And then it will be loaded in -- that's a term we use, loaded into the system, those cash flows for those months, and that's what I'll be held accountable to.

That's what a budget means to me. Just like last year, we put that together and measured ourselves against it, and that's what a budget is. It's a cash flow for each one of my cost centers on the project on month-to-month basis.

Actually, that's one of the things we walked through the PSC audit staff with. We opened up our big project spreadsheet for the St. Lucie plant, and we picked several cost centers, like Westinghouse or Areva or Bechtel, and we showed them, going back to day one, the actual amounts spent in each fund. Those were in black, and then for the going-forward months in red, the numbers that we were attempting to predict what we were going to spend all the way to the end of that project.

But the budget for 2012, that won't be approved until toward the end of the year.

MR. YOUNG: Okay. Thank you, Mr. Jones.

What I would like to do now, Mr. McGlothlin, is take a five-minute break, five- or ten-minute break and come back at 4:00.

MR. McGLOTHLIN: That's fine with me.

(Recess from 3:54 p.m. to 4:15 p.m.)

BY MR. YOUNG:

Q. Mr. Jones, if I can have you to turn to the investigation report and staff's July 10, 2010 management audit report.

A. July 2010 audit report. I have it.

Q. All right. And specifically page 6 of that report.

MR. YOUNG: While you're looking -- Joe, while Mr. Jones is looking for that, since we're back on the record, what I anticipate is hopefully I can be done by 5:00, depending on the responses. Okay?

MR. McGLOTHLIN: We're good with that.

A. Are you referring to the executive summary, page 6?

Q. Yes.

A. All right. I'm there.

Q. Mr. Jones, this is a summary chart for the period January 2009 through June 2010. On the left side is a heading titled "Description." Could you please read aloud for me the description of the third bullet?

A. It says, "Bechtel submits excessive man-hour estimates. FPL asks for additional estimates."

Q. Does that activity correspond to the May 2009

time frame?

A. Yes.

Q. Do you have any reason to believe FPL would disagree with the characterization of excessive in the description?

A. FPL agrees with that characterization.

Q. Okay.

A. At that time.

Q. All right. Can you please look at the fifth item down from the top?

A. And, Mr. Young, the reason I know that is, for the scope that we had identified at that time, in our review of what it would take to self-perform that, we thought that their manpower estimates were in fact excessive.

Now, fast forward to June 2011. We certainly have more scope and design evolution and so on and so forth. So while I will not say that view has completely changed, certainly more hours and more resources are required. We still to this day think that the way that Bechtel operates and other EPC contractors operate, they have a lot of overhead, and their lack of, I'll say, experience or ability to perform major backfits on operating nuclear facilities really challenges them and causes them to have to bring more resources to bear.

But I don't want to pick on Bechtel, in that if it was URS, Washington Group, or another, they would still have that. You have to appreciate that other than the security mods post 9/11, they don't do major backfits anymore online. They do steam generator replacements offline, things like that that are very contained. And even though they're big construction projects, they've been done over and over and over and over in the industry. So I just wanted to keep it in the context of time, what we knew and when we knew it.

Q. All right. Let's look at the fifth item down from the top, scope, changes and contract renegotiation. Do you see that?

A. I do.

Q. I'm not sure I'm reading this shorthand description accurately. Is it your understanding that the contract and scope change is a reference to the EPC contract with Bechtel?

A. I'm not 100 percent positive what the staff intended to communicate there. We were doing -- you know, re-evaluating the scope every day. Scope changes continue today. We have a scope control process that we deploy.

And not that we do contract negotiations frequently, but certainly we -- I would have to say

opportunities in contracts, I mean, we're amending contracts right now with Siemens. So it's not every day, but it's pretty frequent. It's just part of what we do that's part of the project management.

Let me give you an idea. It's worth trying to get Siemens in a box for what it's going to take to do the planning for the Turkey Point Unit 3 fall outage, and rather than them -- and their standard contract is, they'll show up a certain time in advance of the outage. We want them much sooner. We want them to have much greater accountability and responsibility for the integration that they have to do with Bechtel.

So we put together a spec, a contract, and we're negotiating that with them now. Number one, we want certainty around what the cost will be; and two, contractually, we want to lock them in and make sure it's clear to them that it's their accountability to work with Bechtel to accomplish the work. So that would be an example. Contract renegotiation, we're not tearing up the contract and starting over, but it's adjustments and amendments, and that's part of our core business.

Q. Okay. Considering the EPU scope review and changes FPL has assessed in 2009, 2010, and now 2011, would you agree that these changes were largely under

FPL's control?

A. Yes, in the sense that all work is under our control, and that as a part of project management, we can at any given time decide to proceed with the project or not to proceed with the project. When I have a discovery such was one that one of the Commissioners asked me about back in August about a certain steam pressure drop in the system, I can choose to not add that scope and not do that work, or I can choose to do that work.

We make those decisions based on the economic analysis of is it beneficial to our customers and does it make sense for the megawatts. We don't -- so when you say in control, it's in control in the sense that I'm doing my engineering analysis. My engineering analysis points me to what I need to do. And as long as we're going to accomplish the project and deliver the megawatts, then we're going to follow through on those actions.

If through that process the modifications become so big, so complex, so costly that it's not feasible, then we'll stop. That's part of the deal. But I'm building a car, you know, and I've got to put the tires on it. It won't work without the tires.

Q. Okay. Mr. Jones, can you please comment on

the status and progress towards the NRC issuance of the EPU, the LAR for Turkey Point later this year?

A. Yes. The Turkey Point license amendment request for EPU or specific to the EPU is in the review and approval process, and about three-quarters of the branches have completed their review and provided what we call their draft safety evaluations, and there's a number of branches that are outstanding. And the NRC schedule, they tentatively have it scheduled to go to the ACRS late in the fourth quarter of this year for review and approval, and every indication is that they are making their intermediate milestones for that approval.

So we, I think, during our project plan forecast March 2012 for completion, or February 2012, somewhere in there. I'm not exactly sure of that month, but they are certainly on track to meet that.

Q. All right. Can you please comment briefly on the status and progress towards an NRC decision to accept and publish a review schedule for the St. Lucie EPU LARs?

A. St. Lucie Unit 1 has been accepted. It's in the review and approval process. The NRC asked for a different analysis to be performed as a part of that, and we committed to do that and have that to them by May

31st. We met our commitment, and it's back with the -- so we are awaiting the NRC to publish their schedule and their commitment for Unit 1, and they've yet to do that. We talk to them every week. The review is going on.

They are evaluating their resources and the workload that is on -- and I apologize for the acronym, the ACRS. That's the independent review board that's appointed by the Commissioners. They're not employees of the NRC that actually do the final review. It's called the ACRS. And my most recent update is that the NRC is still working on that schedule and looking at the availability of the ACRS before they commit to do the final on Unit 1.

Unit 2, the NRC is communicating if not by the end of June, then early July to finalize their acceptance, and then they'll start the review. But to them, it's a lower priority than Unit 1 to get to a resource plan and commit to a schedule on Unit 2.

Q. Okay. Mr. Jones, I'm going to try to frame this in a yes or no type format, and if you need to explain, please explain briefly for me.

Based on what you know today, do you believe a prudent utility manager should have explicitly expressed expectation of increased EPU total project costs during the 2009 NCRC hearing?

MR. ANDERSON: You want to read that slowly?

A. I'm sorry. That one just kind of went over my head. I'm sorry.

Q. Based on what you know today, do you believe a prudent utility manager should have explicitly expressed an expectation of increased EPU total project costs during the 2009 NCRC hearing?

MR. ANDERSON: So you're asking him a question not based upon what the company knew in 2009, but based upon what the company knows in 2011; is that right?

MR. YOUNG: Yes.

MR. ANDERSON: All right.

A. I'm still not sure, even with Bryan trying to clarify, what you're asking me. And I don't want to come off as trying to dodge your question here. If you're asking me should the testimony on September the 9th been different, my answer is the same as it was last year, and the answer is no.

And reason that answer is no is that within that testimony, there was information that obviously said things were changing and subject to change. And the person providing the testimony September the 8th or 9th, or whatever day it was, absolutely knew what we were doing on the project, absolutely knew that senior

management had not accepted the proposal from Bechtel, absolutely knew that the project had been directed to evaluate a self-perform option, absolutely knew the project had been directed to find ways to, independent of Bechtel or any other EPC, provide a means of estimating project work that had little to no engineering done, and had that been done before, and what that success rate was, and was that feasible. So that person providing that testimony absolutely knew that that work was in progress, and that was going to take months.

And in fact, we didn't finish and come up with our nonbinding cost estimate revision until February or March of 2010, which is evidence of what type of effort it took to vet those numbers that were being discussed in the summer of 2009.

And let me again state that the project controls people did their job. As a project controls person, if I tell you I'm going to bring in 500 people and this is the rate, they do the spreadsheet, they do the math, and that's the number you come up with. That's not an issue here. The project controls people got the algebra correct.

The fact is that we're not going to let Bechtel bring in 3,000 people. We're not going to agree

to that. If you agree to a target price now, you're locked in. Okay? You're locked in. It's to their advantage to get you to agree to a figure and agree to a number when there's so much that's undefined. Okay? You've given away your ability to influence that outcome. You don't do that, no matter of it's Bechtel or Shaw or Washington Group.

What you do do is, you let them give their indicative bid, and now you've got their view of how they want to run this project and how many people they think, and you say, "You know what? This is a time and material project, and it has a target price provision, and it's up to me whether or not I want to exercise it. If I choose not to, I'm going to control your head count. And for every body you want to bring in my door, I control it. You cannot bring a single person on my site unless you adequately justify it."

That's why when you look at the month-over-month cost, it's dead on, because we absolutely control them day over day, week over week, month over month. The big debate is about what you're going to spend in 2012. Okay?

Q. Mr. Jones, let me ask you this question.

MR. ANDERSON: Keino, he's not done with his answer, please.

A. And so the big debate is about who's right or what it's really going to take to accomplish this major construction work at the back end of 2011 and 2012.

MR. YOUNG: I understand that. Bryan -- Mr. Jones, not to cut you off. Bryan, he did answer my question. I'm trying to move forward.

MR. ANDERSON: I understand, but I don't think he answered the question. You're interrupting him, for the record, and I object.

MR. YOUNG: Hold on, Bryan. Hold on. You have an opportunity to rebut.

MR. ANDERSON: No, sir. I'm entitled to have my witness answer the question and not be interrupted. He has answered questions for eight hours today, Keino.

MR. YOUNG: I understand that. I understand that. And he has answered my question. I have asked the question, and he has answered it, and I think he has explained it sufficiently for me. Okay? Now, let me move forward. I'm trying to meet a time and cut the questions down.

MR. ANDERSON: That's fine. I want to make sure the court reporter got his answer and just verify that she heard the answer so that it was transcribed without the interruptions. And if

we're good, then we can move on. But the challenge there, Keino, was -- and I apologize for getting heated, but you were speaking over the witness with a court reporter who is in another remote location, and we're all very focused on having a good clear, record here. So if whoever is with the court reporter can just determine whether we have a -- you were able to hear adequately and have an accurate record, I'm good.

MR. McGLOTHLIN: I'm going to pose that question to Mary Neel.

She's checking her notes so she can answer your question.

(Discussion off the record.)

BY MR. YOUNG:

Q. Mr. Jones, you stated that you believe that the actions were reasonable and prudent. What is your understanding of -- your definition of prudence?

A. My definition of prudence is that when you make a decision or you take action, at the point in time that you've made your decision or taken your action, that you've done so in a reasonable manner based on the best available information at the time.

Q. Okay. Now, you used the word "absolute" in there a couple of times on a previous question.

Prudence doesn't have anything to do with absolute; correct?

Let me rephrase it. The word "absolute," in terms of a standard of prudence, there's no word -- the word "absolute" does not appear in the standard of prudence; correct?

MR. ANDERSON: I'll object to the form. That's an argumentative question as to a legal standard of prudence.

A. Mr. Young, I'm not an attorney. You asked me for my definition of prudence, and I gave you my definition of prudence. I'll defer to the lawyers as far as the legal definition.

Q. Okay. And I think you said you're not an attorney; correct?

A. Yes, but I'm thinking about it.

Q. Don't do it. It's not worth it.

Mr. Jones, I only have a few more questions. Okay? Mr. Jones, can you now turn to your May 2, 2011 testimony, prefiled testimony? It's dealing with the nuclear power plant cost recovery for the years ending December 2011 and 2012?

A. Keino, I have my testimony. Is there a page?

Q. Yes. On pages 21 and 22, you discuss the non-power block engineering costs, and that includes

increase in scope for six dry cage storage -- excuse me. Dry cask storage containment.

A. Yes, that's correct.

Q. On page 22, line 18 --

A. I'm with you.

Q. You stated that this category of costs is approximately 1.1 million more than projected, primarily due to the addition of the dry cask storage containers. Did I read that correctly?

A. Yes, you did.

Q. Can you please explain why, briefly explain why the dry cask storage containers are a necessary expense at this time?

A. Yes. The reason is that we're going to have -- as an as a result of the extended power uprate, we're going to have to meet the new requirements imposed by the Nuclear Regulatory Commission for spent fuel pool criticality. We're going to have to create more space between the fuel cells -- between the fuel elements, excuse me. And so that requires us to offload more fuel than we would have otherwise if we were not doing the extended power uprate.

And real, real brief, Keino, before you actually do a refueling outage, you have to place your new fuel in your spent fuel pool, because you have to

handle all the fuel underwater to get it in and out of the reactor. And the most reactive fuel is the fuel that hasn't been expended. The EPU fuel has more energy, so therefore -- it's more reactive is the way to think of it. And when it comes out, it's going to be more reactive than prior generations of spent fuel.

And given the new requirements imposed by staff for additional conservatism for spent fuel pool criticality, it's going to require us to offload more fuel. And what that does is, you take the fuel that has been there the longest, and you remove it from the pool and put it in dry cask storage, and now that gives you the ability -- think about a checkerboard. It gives you the ability to space your fuel elements further apart such that you will not have an inadvertent criticality should there be what's referred to as a dilution event in the spent fuel pool. The spent fuel pool has borated water. Boron absorbs neutrons, and pure water helps neutrons.

Q. Okay. Can you please turn to TOJ-24, page 10 of 16.

A. TOJ-24. I'm there.

Q. Okay. Do you see spent fuel pool?

A. Which page?

Q. Page 10 of 16.

A. Yes.

Q. On the spent fuel pool -- excuse me. I'm going too fast. I'm sorry. You indicate for 2011 activity for which St. Lucie plant?

A. St. Lucie, 2011, the very last line?

Q. Yes.

A. You want to know for which plant that is?

Q. Yes.

A. That's going to be for both units.

Q. Okay.

A. Mr. Young, what has really occurred here is that the NRC, even though it's not a published regulation, published order, is evaluating any changes to spent fuel pools licensing basis based on an interim staff guidance document that was only issued at the end of 2010. And they're not approving any amendments, whether they be EPU or spent fuel pool or anything related to spent fuel pool criticality analysis if you don't comply with the new conservative analysis. Even though that goes against their published guidelines for a license amendment request, they are imposing that additional restriction.

So even though the spent fuel pool, we were well within our licensing basis for St. Lucie, we are having to add those additional margins to the spent fuel

pool criticality. And so there's modifications that we're going to have to do now that we wouldn't have otherwise had to do if we hadn't opened up our license to the NRC for an extended power uprate.

Q. Okay. The third column over, contract, for spent fuel pool it says TBD.

A. That means to be determined. At the time of this filing, we did not have a contract or purchase order in place for the modifications. We do know -- having done this type of modification before, we know what needs to be done. In the case St. Lucie, it's called Metamic inserts, and we have a good feel for what that cost is, and so we've included that in our forecast, but we do not have the contract locked down yet.

Q. Okay. Based on that status of the contract, is it reasonable to assume that this work will be completed in 2011, given the status of the contract?

A. When you say work, the scope of the total spent fuel pool modification involves the engineering and the analysis for where to put the Metamic inserts, which that's well under way. Then it also includes the manufacture of the Metamic inserts themselves and payment for those. Then there's the actual deployment into the pools, which is really based on the refueling

outages.

So this is work that is going on right now, the engineering piece of it, and we're about to -- the manufacturer of the Metamic inserts, we're going through the final approvals of that now. And I don't remember off the top of my head when we actually insert them in the pool. It's not -- I don't need to insert them in the pool right away.

Q. All right.

A. But the cash flow for that project forecast will be based on the engineering, the manufacture, the progress payment for the manufacture, when the material arrives onsite, and then the actual deployment in the pool.

Q. Okay. Mr. Jones, on page 11 of this testimony, the same testimony --

A. I'm there.

Q. You noted that the St. Lucie Unit 2 outage lasted longer than planned. Do you see that?

A. That is correct.

Q. Can I have you read that aloud for me, please?

A. The question is, "Were there any unanticipated schedule changes this year?"

"Answer: Yes. The EPU portion of the St. Lucie Unit 2 spring outage lasted longer than

planned due to an error by Siemens, the vendor who is performing the turbine generator work."

Q. Has FLP's collection effort achieved 100 percent of the repair costs?

A. I'm sorry. Could you repeat the question?

Q. On page 12 -- I'm sorry. On page 12, you noted that FPL is attempting to require Siemens to repair the damage at no cost to FPL.

A. Siemens did effect the repair. The machine is in service. We got the additional megawatts, by the way. We got a few more than expected, actually, which is good news. And we are going through that commercial process now to ensure that the hours they had to spend on the project to effect the repairs, the materials, and so on and so forth does not get charged to us. We are going through that. It's a lengthy process. I mentioned earlier that we keep book on a daily basis to capture all the costs associated with that, and then we get into commercial negotiations with Siemens over our claim. And, of course, in a project like this, they'll have claims against us as well.

Q. So would it be fair to say that FPL's collection efforts have not achieved 100 percent of the repair costs?

A. I would say it's in progress.

Q. How much has -- I'm sorry. Go ahead.

A. When it's in progress, you vet all the puts and takes, you come to agreement, and that's when you have the final settlement and you know. It's not like I'm recovering 10 percent this week and 20 percent next week. That's not how it works.

Q. Okay. How much has FPL included in the NCRC that may be subject to adjustment due to FPL's ongoing efforts to achieve 100 percent collection of the repair costs?

A. This is 2011 costs, and so I don't know that I can answer your question. Certainly the cost associated with the repair is not part of nuclear cost recovery. That is on the vendor to remedy per the contract, and that's our position.

MR. YOUNG: Okay. Mr. Jones and Bryan?

MR. ANDERSON: Yes, Keino.

MR. YOUNG: I'm going to ask for a late-filed exhibit on this, and that will be Late-filed Exhibit Number 8. Even if the amount is zero, I still want a late-filed exhibit on it just to confirm what the amount is. Okay?

MS. CANO: May I ask a clarifying question, Keino? Do you want the amount that's included in the 2011 NCRC related to this incident, if any?

MR. YOUNG: Yes.

MR. ANDERSON: With that clarification, we'll provide that.

THE WITNESS: Mr. Young, I also want to be clear that the contract that we have with our major vendors, these are the original equipment manufacturers. They bring in several hundred people to do this kind of work. They do it around the world. They're the subject matter experts. It's not prudent or reasonable for us to have that kind of staff for an infrequent evolution for this. With those procedures and processes, we provide oversight and logistics of that, but I cannot oversee 300 people. That's not practical either, and it's not cost-effective.

On a large, complex project like this, or even small jobs, we have humans involved, and mistakes occur. That's part of the risk of doing business, whether it be a project or normal operations and maintenance. For the direct costs associated with effecting the repair, the time, the material, the labor, Siemens is not eligible for reimbursement for that amount, and that's the amount I'm talking about is not in nuclear cost recovery.

Outside the limit of that, that's a part of

the risk and a part of doing the project, no different than if an engineer makes an error in a calculation and we have to modify a piece of structural steel when we find the error. That's not performance that we can condone, but that is a part of project risk, and that is -- as long as that's reasonable and subject to prudence, that is recoverable.

MR. YOUNG: I understand your position, Mr. Jones, and I have no further questions.

I just want to clarify the late-filed exhibit. It is Exhibit Number 8. And Bryan or Jessica, however you want to name that late-filed exhibit is fine with me.

MR. ANDERSON: Okay.

MR. YOUNG: So if you want to give the court reporter a name for it so we can have it noted for the record.

MR. ANDERSON: We came up with a name, Siemens costs associated with rework.

MR. YOUNG: If I could add to that, included in the NCRC 2011 hearing.

MR. ANDERSON: You can add that to it.

(Late-filed Deposition Exhibit Number 8 was marked for identification.)

MR. YOUNG: Okay. Mr. Jones, it's always a pleasure. I have no further questions.

THE WITNESS: Thank you. I hope you have didn't cut it short on my account. I'm more than happy to answer questions and try to provide insight into how all this works.

MR. ANDERSON: Well, FPL does not have redirect. I know our valiant court reporter is working very hard. We are going to ask for an expedited transcript. We would like to reserve signature and let the witness review. And with that, we thank everyone for their time.

MR. McGLOTHLIN: And I don't remember if this is on the record or not, but FPL will review the transcript and notify us of any confidentiality claims, and we'll follow the procedure.

MR. YOUNG: This is Keino at the Commission. Our court reporter will contact the court reporter to order a copy.

MR. McGLOTHLIN: All right. I think we're done.

(Deposition concluded at 4:57 p.m.)

CERTIFICATE OF REPORTER

STATE OF FLORIDA:

COUNTY OF LEON:

I, MARY ALLEN NEEL, Registered Professional Reporter, do hereby certify that the foregoing proceedings were taken before me at the time and place therein designated; that a review of the transcript was requested; that my shorthand notes were thereafter translated under my supervision; and that the foregoing pages numbered 1 through 183 are a true and correct record of the aforesaid proceedings.

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

DATED THIS 30th day of June, 2011.

MARY ALLEN NEEL, RPR, FPR
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CONFIDENTIAL TRANSCRIPT

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June 30, 2011

BRYAN J. ANDERSON, ESQUIRE
Florida Power & Light Company
700 Universe Boulevard
Juno Beach, Florida 33408-0420

Dear Mr. Anderson:

Re: Docket No. 110009-EI

Enclosed is your copy of the deposition of TERRY O. JONES taken in the above matter on June 22, 2011.

Since reading and signing was not waived, please make arrangements with the witness to read your copy of the transcript and make any corrections on the errata sheet on the following page.

Please forward the completed errata sheet to Joseph A. McGlothlin for attachment to the original transcript. You should also attach a copy of the errata sheet to your transcript.

Thank you for your cooperation in this matter.

Sincerely,

Mary A. Neel

cc: Joseph A. McGlothlin, Esq.

ERRATA SHEET

Under penalties of perjury, I declare that I have read the foregoing transcript of my deposition, pages 1 through 184, and hereby subscribe to same, including any corrections and/or amendments listed below.

July 8 2011
DATE

Terry O. Jones
TERRY O. JONES

PAGE/LINE	ERROR OR AMENDMENT	REASON FOR CHANGE
	See attachment	

Reporter: Mary A. Neel - Date of Deposition: 06/22/11
Re: Nuclear Cost Recovery Clause, Docket No. 110009-EI

TERRY JONES DEPOSITION ERRATA SHEET

PAGE / LINE	ERROR OR AMENDMENT	REASON
3 / Appearances	Change "Veisler" to "Beisler"	transcription error
19 / 18	Change "of" to "or"	transcription error
42 / 23	Change "down" to "them"	transcription error
50 / 8	Change "first" to "purpose of"	transcription error
56 / 5	Add "be performed" at end of line	grammatical correction
56 / 6	Change "operate a" to "in an operating"	grammatical correction
58 / 1-13	Delete "in this manner..." (line 1) through "...stands as it is. And" (line 13), and change "we" to "We" (line 13)	incorrect recollection
80 / 5, 7, 11, 15, 16	Change "Veisler" to "Beisler"	transcription error
92 / 2	Delete "of"	transcription error
107 / 1	Delete "and" before "feed pump"	transcription error
111 / 12	Delete "of"	transcription error
124 / 12	Change "MOBR" to "MOPR"	transcription error
138 / 19, 21	Change "container" to "containment"	transcription error
139 / 19	Change "value" to "valve"	transcription error
140 / 4	Change "subpoint" to "setpoint"	transcription error
140 / 23, 24	Change "DOJ" to "TOJ"	transcription error
143 / 15	Delete space in middle of word "that" and insert space before "I"	transcription error
149 / 24	Change "2001" to "2009"	transcription error
170 / 6	Change "of" to "if"	transcription error