

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**DOCKET NO. 150009-EI
FLORIDA POWER & LIGHT COMPANY**

MARCH 2, 2015

**IN RE: NUCLEAR POWER PLANT COST RECOVERY
FOR THE YEAR ENDING
DECEMBER 2014**

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

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **FLORIDA POWER & LIGHT COMPANY**

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

4 **DOCKET NO. 150009-EI**

5 **March 2, 2015**

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

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

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

10 A. I am employed by Florida Power & Light Company (FPL or the Company) as the
11 New Nuclear Accounting Project Manager.

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

13 A. I am responsible for the accounting related to the Company's Turkey Point 6 & 7 (TP
14 6 & 7) Project, and for what accounting remains related to the Extended Power Uprate
15 (EPU) Project. I ensure that the costs for these projects are accurately reflected in the
16 filings made in the Nuclear Cost Recovery (NCR) docket, including the Nuclear Filing
17 Requirements (NFR) Schedules. In addition, I am responsible for ensuring that the
18 Company's assets associated with these projects are appropriately recorded and
19 reflected in FPL's financial statements.

20 **Q. Please describe your educational background and professional experience.**

21 I graduated from Concordia University, Montreal, Canada with a Bachelor of Arts in
22 1978 and Rutgers University, New Jersey in 1984 with a Masters of Business
23 Administration degree, with a Concentration in Accounting. That same year, I was

1 employed by Peat Marwick Mitchell & Company, in Short Hills, New Jersey.
2 Between 1990 and 2000, I lectured in the Accounting Departments of North Carolina
3 Central University, Durham, North Carolina and Lynn University, Boca Raton,
4 Florida. Since 2001 and prior to joining FPL, I have held various Corporate
5 Accounting positions in the State of Florida. In 2009, I joined FPL as an Accounting
6 Manager responsible for Fossil and Nuclear Fuel Accounting, Storm Accounting and
7 Reporting and Analysis for the Property Accounting Group. In January 2014, I
8 assumed the role of New Nuclear Accounting Project Manager. I am a Certified
9 Public Accountant (CPA) licensed in the State of New Jersey and a member of the
10 American Institute of CPAs.

11 **Q. Are you sponsoring or co-sponsoring any Exhibits in this case?**

12 **A.** Yes, I am sponsoring the following Exhibits:

- 13 • Exhibit JGK-1, Final True-Up of 2014 Revenue Requirements, details the
14 components of the 2014 Turkey Point 6 & 7 and EPU revenue requirements
15 reflected in the NFR True-Up (T) Schedules by project, by year and by category of
16 costs being recovered.
- 17 • Exhibit JGK-2, NFR Schedules, which include Schedules T-1 through T-4 and
18 Appendix C that provide the final true-up of 2014 EPU prior years costs.

19
20 Additionally, I sponsor and co-sponsor some of the NFR Schedules included in
21 exhibits sponsored by FPL Witnesses Scroggs as described below:

- 22 • Exhibit SDS-1 consists of the 2014 “T-Schedules” that provide the final true-up of
23 2014 Turkey Point 6 & 7 costs. Exhibit SDS-1 contains a table of contents which

1 lists the T-Schedules sponsored and co-sponsored by FPL Witness Scroggs and by
2 me, respectively.

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

4 A. The purpose of my testimony is to present the final true-up calculation of the 2014
5 revenue requirements. I provide an overview of the components of the revenue
6 requirements included in FPL's filing and demonstrate that the filing complies with
7 FPSC Rule No. 25-6.0423, Nuclear or Integrated Gasification Combined Cycle Power
8 Plant Cost Recovery Rule. I also discuss the accounting controls FPL relies upon to
9 ensure only appropriate costs are charged to the TP 6 & 7 Project.

10 **Q. Please summarize your testimony.**

11 A. FPL is requesting the Florida Public Service Commission (FPSC or Commission) to
12 approve as prudent its 2014 costs and the resulting overrecovery of revenue
13 requirements of \$691,433, which will reduce the Capacity Cost Recovery Clause
14 (CCRC) charge to customers in 2016. As shown in my Exhibit JGK-1, these revenue
15 requirements are comprised of the difference between \$22,532,841 Actual revenue
16 requirements versus \$23,224,274 Actual/Estimated revenue requirements filed in
17 Docket No. 140009-EI. My testimony includes the exhibits and NFR Schedules
18 needed to support the true-up of 2014 costs and revenue requirements.

19

20 FPL is complying with the NCR Rule and has in place robust and comprehensive
21 corporate and overlapping business unit controls for incurring and validating costs and
22 recording transactions associated with FPL's Nuclear Projects. I describe these

1 controls and outline the documentation, assessment and auditing process for these
2 overlapping control activities.

3 **Q. Please describe the NFR Schedules included in this filing.**

4 A. FPL is filing its 2014 T-Schedules, consistent with the requirements of the NCR Rule,
5 to provide an overview of the financial aspects of its nuclear power plant projects,
6 outline the categories of costs represented, and provide the calculation of detailed
7 project revenue requirements for the prior years.

8

9 **2014 TRUE-UP**

10 **Q. Is FPL filing any NFR Schedules related to TP 6 & 7 Site Selection costs?**

11 A. Yes. FPL is filing the NFR Schedules T-1, T-2 and T-3A described in FPL Witness
12 Scroggs's testimony for TP 6 & 7 Site Selection costs.

13 **Q. What are FPL's Actual 2014 TP 6 & 7 Site Selection costs compared to the
14 previous Actual/Estimated costs?**

15 A. FPL's TP 6 & 7 Site Selection costs ceased with the filing of its need petition on
16 October 16, 2007. All recoveries of Site Selection costs and resulting true-ups have
17 been reflected in prior Nuclear Cost Recovery filings. Accordingly, the true-up of
18 costs and resulting revenue requirements each equal zero.

19 **Q. What are FPL's Actual 2014 TP 6 & 7 Site Selection carrying charges compared
20 to the previous Actual/Estimated carrying charges and any resulting
21 (over)/under recovery?**

22 A. Site Selection carrying charges are predominantly related to the deferred tax assets.
23 The calculation of FPL's 2014 Actual TP 6 & 7 Site Selection carrying charges on the

1 deferred tax asset are \$159,224 as shown in Exhibit JGK-1 and Exhibit SDS-1, NFR
2 Schedule T-3A. FPL's previous Actual/Estimated carrying costs on the deferred tax
3 asset were \$159,144, resulting in an underrecovery of \$79. The deferred tax asset is
4 created by the recovery of Site Selection costs and the payment of income taxes before
5 a deduction for the costs is allowed for income tax purposes.

6 **Q. Is FPL filing any NFR Schedules related to 2014 TP 6 & 7 Pre-construction**
7 **costs?**

8 A. Yes. FPL is filing NFR Schedules T-1 through T-7B as described in FPL Witness
9 Scroggs's testimony for the final true-up of TP 6 & 7 Pre-construction costs.

10 **Q. What revenue requirement amount is FPL requesting for recovery to reflect the**
11 **final true-up of its 2014 TP 6 & 7 Pre-construction costs?**

12 A. FPL is requesting to include in its 2016 CCRC charge an overrecovery of \$691,512 in
13 revenue requirements, which represents an overrecovery of Pre-construction costs of
14 \$821,804, and an underrecovery of carrying charges of \$130,292 as shown on Exhibit
15 JGK-1 and in the calculations in Exhibit SDS-1, NFR Schedules T-2 and T-3A.

16 **Q. What are FPL's 2014 Actual TP 6 & 7 Pre-construction costs compared to 2014**
17 **Actual/Estimated costs and any resulting (over)/under recoveries?**

18 A. FPL's Actual TP 6 & 7 Pre-construction costs for the period January through
19 December 2014 are \$18,448,666 on a jurisdictional basis, as presented in FPL Witness
20 Scroggs's testimony and provided in Exhibit SDS-1, NFR Schedule T-6. FPL's
21 Actual/Estimated 2014 Pre-construction costs were \$19,270,470 on a jurisdictional
22 basis. The result is an overrecovery of Pre-construction revenue requirements of
23 \$821,804.

1 **Q. What are FPL's Actual 2014 TP 6 & 7 Pre-construction carrying charges**
2 **compared to 2014 Actual/Estimated carrying charges and any resulting**
3 **(over)/under recoveries?**

4 A. FPL's Actual 2014 TP 6 & 7 Pre-construction carrying charges are \$4,970,056. FPL's
5 previous Actual/Estimated carrying charges were \$4,839,764, resulting in an
6 underrecovery of revenue requirements of \$130,292. The calculations of the carrying
7 charges can be found in Exhibit SDS-1, NFR Schedules T-2 and T-3A.

8 **Q. Is FPL filing any NFR Schedules related to the EPU Project?**

9 A. Yes, FPL is filing Exhibit JGK-2, NFR Schedules T-1, T-3, T-4, and Appendix C.
10 The EPU project was completed in 2013 and as a result FPL no longer incurs
11 construction costs related to the project. These schedules reflect a total underrecovery
12 of \$2,871 that FPL is adjusting out of its true-up request in order to finalize NFR filing
13 requirements for the project. Therefore, 2014 Actual revenue requirements remain the
14 same as the 2014 Actual/Estimated revenue requirements. No true-up request of EPU
15 revenue requirements is required as shown in Exhibit JGK-1.

16

17

ACCOUNTING CONTROLS

18 **Q. Please describe the accounting controls FPL relied upon to ensure proper cost**
19 **recording and reporting for the Company's nuclear projects.**

20 A. FPL relied on its comprehensive corporate and overlapping business unit controls for
21 recording and reporting transactions. These comprehensive and overlapping controls
22 included:

- 23
- FPL's Accounting Policies and Procedures;

- 1 • Financial systems and related controls including FPL’s general ledger (SAP) and
2 construction asset tracking system (PowerPlan); and
3 • Business Unit specific controls and processes.

4 The project controls are discussed in the testimony of FPL Witnesses Scroggs.

5 **Q. How did FPL’s policies and procedures ensure accurate recording and reporting**
6 **treatment of project costs?**

7 A. In order to ensure accurate recording and reporting treatment of project costs
8 incurred, FPL relied on a framework of corporate procedures and accounting policies,
9 which are used in conjunction with its Property Retirement Unit Catalog (PRUC).
10 The PRUC is FPL’s guide for determining whether or not an activity and the cost
11 incurred in that activity will result in capitalization or otherwise be treated as an
12 expense and conforms to FPSC guidance. Capital costs were recorded by the Nuclear
13 Business Unit in the accounting construction asset tracking system (PowerPlan),
14 which is FPL’s fixed asset subsidiary ledger. Capital transactions in PowerPlan were
15 interfaced with the SAP general ledger system during each month. Monthly
16 regulatory reporting was achieved by accessing detailed information from PowerPlan
17 which was reconciled with data in SAP.

18 **Q. How did internal controls support accurate financial reporting of project costs?**

19 A. The application of the corporate and accounting policies and procedures were
20 supported by an interconnected system of internal controls as required by Sarbanes-
21 Oxley Act of 2002, Section 404 (SOX). Under SOX, management identified,
22 documented, administered and certified as to the effectiveness of control activities.
23 Segments or subprocesses of a business process were documented in SOX narratives,

1 which described specific controls necessary to ensure accurate financial reporting of
2 transactions produced by a particular subprocess. Additionally, upstream and down
3 stream subprocesses that fed information into and out of a particular subprocess were
4 identified. This control structure allowed management and owners of the processes to
5 have visibility to the overlapping and overall business processes and how the controls
6 helped to achieve accurate financial reporting.

7 **Q. Were these controls documented, assessed and audited and/or tested?**

8 A. Yes. The FPL corporate accounting policies and procedures were documented and
9 published on the Company's internal website, Employee Web. In addition, accounting
10 management provided formal representation as to the continued compliance with those
11 policies and procedures. Sarbanes-Oxley processes were identified, documented,
12 tested and maintained, including specific processes for planning and executing capital
13 internal orders, as well as acquiring and developing fixed assets. Certain key financial
14 processes were tested during the Company's annual internal test cycle. The
15 Company's external auditor, Deloitte & Touché, LLP, conducted an annual audit,
16 which included assessing the Company's internal controls over financial reporting and
17 testing of general computer controls.

18 **Q. Describe the responsibilities and accounting controls of the New Nuclear
19 Accounting Project Group in 2014.**

20 A. The primary responsibility of the New Nuclear Accounting Project Group was to
21 provide financial accounting guidance for the recording and recovery of costs under
22 the Nuclear Cost Recovery Rule. Additional responsibilities included the preparation
23 and maintenance of the NFR Schedules and, on a monthly basis, ensuring the costs

1 included in the NFR Schedules reflect the financial records of the Company. The TP
2 6 & 7 project utilized unique internal orders to capture costs directly related to the
3 project. After ensuring costs were accurately recorded, adjustments were made to
4 reflect the jurisdictionalized costs and other adjustments required in the NFR
5 Schedules. Monthly journal entries were prepared to reflect the effects of the recovery
6 of these costs and monthly reconciliations of the project general ledger accounts were
7 performed. The resulting NFR Schedules are included in FPL's Nuclear Cost
8 Recovery filings and described in testimony.

9
10 The New Nuclear Accounting Project Group worked closely with the Nuclear
11 Business Unit to ensure proper accounting for costs related to the projects.

12 **Q. Please describe how the Nuclear Business Unit accounting controls operated to**
13 **provide assurance that the costs included in the filing were reasonable and**
14 **properly captured.**

15 A. Business Unit accounting control activities are founded on existing corporate policies
16 and procedures. These policies and procedures provided guidance to the Nuclear
17 Business Unit as to the accounting processing and recording of new nuclear project
18 costs. Specifically, the New Nuclear Business Unit relied upon the following
19 accounting-related control activities:

- 20 • Initiated and maintained unique project internal orders and account coding
21 structure.

- 1 • Conducted monthly detail transaction reviews to ensure that labor costs
2 recorded to the project were only for those FPL personnel authorized to charge
3 time to the project.
- 4 • Reviewed, approved, and recorded monthly accruals.
- 5 • Reconciled project costs in the General Ledger with project costs provided by
6 the New Nuclear Accounting Group from the subsidiary system.
- 7 • Performed analyses of the costs being incurred by the project to ensure that
8 costs were appropriately allocated to the correct internal orders.
- 9 • Worked closely with FPL's Accounting and Regulatory Accounting
10 Departments to determine which project costs were capital and which were
11 O&M.
- 12 • Conducted monthly variance analysis of actual and budgeted expenditures.
- 13 • Managed internal and external financial audit requests.

14

15 **ADDITIONAL NUCLEAR PROJECT ACCOUNTING OVERSIGHT**

16 **Q. Is there any other oversight for the accounting associated with the TP 6 & 7**
17 **Project?**

18 A. Yes. There is an annual internal audit conducted to review the TP 6 & 7 costs.
19 Additionally, the NCR process itself provides an additional layer of review and
20 oversight.

21 **Q. What is the purpose of the annual internal audits conducted by FPL on the TP 6**
22 **& 7 Project?**

23 A. The objective of the audit is to test the propriety of expenses charged to NCR to

1 ensure they are recoverable project expenses and to ensure compliance with the NCR
2 Rule. Any potential process improvements identified during the audits are
3 communicated to management to further enhance internal controls. The audit of the
4 2014 costs related to the TP 6 & 7 Project is currently underway and is expected to be
5 completed in the second quarter of 2015. These audits provide assurance that the
6 internal controls surrounding transactions and processes are well established,
7 maintained and communicated to employees, and provide additional assurance that the
8 financial and operating information generated within the Company is accurate and
9 reliable.

10 **Q. Please comment on the overall level of control and oversight of the NCR process.**

11 A. The ongoing cycles of cost collection, aggregation, analysis, and review which lead to
12 the filing of NFR Schedules provide for a level of detailed review that is
13 unprecedented. For example, in the preparation of the NFR Schedules, transactional
14 expenditures are projected by activity and an immediate review of projections to
15 actuals, in many cases at the transactional level, is conducted. The nature of the data
16 collection and aggregation process, along with the calculation of carrying charges and
17 construction period interest, provides an increased level of detailed review. The
18 requirements of the NCR Rule have, by design, significantly increased the
19 transparency of the costs.

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

21 A. Yes.

22

Florida Power & Light Company
Final True-Up of 2014 Revenue Requirements
(Jurisdictional, Net of Participants)
Exhibit JGK-1

March 2, 2015 True-up filing
(Docket No. 150009-EI)

Line No.		(A)	(B)	(C)
		2014 AE's	2014 T's	
		2014 Actual/Estimated Costs Docket No. 140009-EI	2014 Actual Costs Docket No. 150009-EI	(Over)/Under Recovery
1				
2	Turkey Point 6 & 7 Project			
3	<u>Site Selection Costs</u>	\$0	\$0	\$0
4	Carrying Costs	(\$742)	(\$742)	\$0
5	Carrying Costs on Deferred Tax Asset/(Deferred Tax Liability)	\$159,144	\$159,224	\$79
6	Total Carrying Costs	\$158,402	\$158,482	\$79
7	Total Site Selection	\$158,402	\$158,482	\$79
8				
9	<u>Pre-construction Costs</u>	\$19,270,470	\$18,448,666	(\$821,804)
10	Carrying Costs	(\$1,252,553)	(\$1,179,841)	\$72,712
11	Carrying Costs on Deferred Tax Asset/(Deferred Tax Liability)	\$6,092,317	\$6,149,897	\$57,580
12	Total Carrying Costs	\$4,839,764	\$4,970,056	\$130,292
13	Total Pre-construction	\$24,110,234	\$23,418,721	(\$691,512)
14	Total Turkey Point 6 & 7 Project	\$24,268,636	\$23,577,203	(\$691,433)
15	Uprate Project			
16	Construction Costs (Completed)	\$0	\$0	\$0
17	Carrying Costs	\$911,804	\$911,804	\$0
18	Carrying Costs on Deferred Tax Asset/(Deferred Tax Liability)	\$0	\$0	\$0
19	Total Carrying Costs	\$911,804	\$911,804	\$0
20				
21	Recoverable Operations & Maintenance and Interest	(1,187,084)	(1,185,456)	\$1,628
22	Adjustment	\$0	(\$1,628)	(\$1,628)
23	Total Recoverable Operations & Maintenance and Interest	(1,187,084)	(1,187,084)	\$0
24	Base Rate Revenue Requirements	(\$796,243)	(\$795,076)	\$1,167
25	Carrying Costs (Over)/Under Recovery	\$27,161	\$27,236	\$75
26	Adjustment	\$0	(\$1,243)	(\$1,243)
27	Total Base Revenue Requirements and Carrying Costs	(\$769,082)	(\$769,082)	\$0
28	Total Uprate Project	(\$1,044,362)	(\$1,044,362)	\$0
29				
30	Total Turkey Point 6 & 7 and Uprate Project	\$23,224,274	\$22,532,841	(\$691,433)
31				

Totals may not add due to rounding

**Docket No. 15009-EI
2014 EPU T-Schedules
Exhibit JGK-2, Page 1 of 1**

JGK – 2 is in the Nuclear Filing Requirements Book

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

I HEREBY CERTIFY that a true and correct copy of the foregoing testimony and exhibits was served electronically this 2nd day of March, 2015, to the following:

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