

110009-EI
REDACTED

EXHIBIT B

DOCUMENT NUMBER-DATE
06262 AUG 31 =
FPSC-COMMISSION CLERK

CONFIDENTIAL

REDACTED

Florida Power & Light Company
Docket No. 110009-EI
OPC's Sixth Set of Interrogatories
Interrogatory No. 49
Page 1 of 1

Q.

Please refer to page 27, line 22. What percentage contingency is used calculating "non-binding cost estimate range?"

A.

The referenced non-binding cost estimate range is \$2,050M to \$2,300M. The low end of the range was based on the current forecast at that time. The high end of the range was determined by [REDACTED] |

FPL 028278
NCR-11

DOCUMENT NUMBER-DATE
06262 AUG 31 =
FPSC-COMMISSION CLERK

EXHIBIT NO. 202

DOCKET NO: 110009-EI

WITNESS: Terry O. Jones

PARTY: Florida Power & Light Company

DESCRIPTION: Excerpt from Confidential
Deposition transcript of Terry
O. Jones (pages 4 – 17)

DOCUMENTS:

Interrogatories:

Request for Production of Documents

Additional Items

PROFERRED BY: OFFICE OF PUBLIC COUNSEL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 110009-EI

In re: Nuclear Cost
Recovery Clause.



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

ACCURATE STENOTYPE REPORTERS, INC.
2894-A REMINGTON GREEN LANE
TALLAHASSEE, FLORIDA 32308
850.878.2221

PROCEEDINGS

1
2 The following deposition was taken on oral
3 examination, pursuant to notice, for purposes of
4 discovery, for use as evidence, and for such other uses
5 and purposes as may be permitted by the applicable and
6 governing rules. Reading and signing of the deposition
7 transcript by the witness was not waived.

8 * * *

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

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

17 THE WITNESS: Yes.

18 Thereupon,

19 TERRY O. JONES

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

22 DIRECT EXAMINATION

23 BY MR. MCGLOTHLIN:

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

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

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

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

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

10 Q. Have you been deposed in the past?

11 A. Yes.

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

17 A. Yes.

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

21 A. May 2011 testimony, page 7.

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

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

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

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

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

14 BY MR. MCGLOTHLIN:

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

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

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

24 A. That is correct.

25 Q. And in terms of the overall nature of the

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

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

6 [REDACTED]
7 [REDACTED]
8 [REDACTED]

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

15 A. The contract does specify hourly rates,

16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]

22 [REDACTED] Field non-manual is just a way of saying
23 hours spent on the project other than craft, like design
24 engineering hours, for example.

25 Q. Now, a portion of the tasks that are

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

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

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

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

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

16 A. Yes, that's correct.

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

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

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

1 the construction of the modifications?

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

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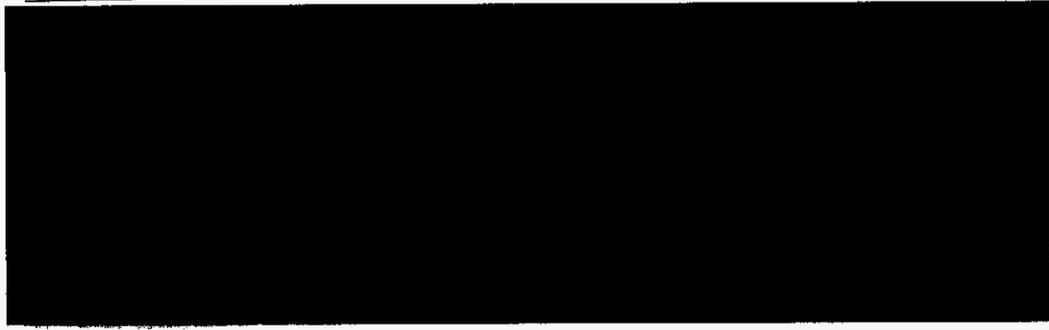
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Q. I believe you answered my question, but let me just follow up to make sure. With respect to the construction of the modifications, the compensation will be a function of time and materials as opposed to, for instance, separate bids for those projects;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

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[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]

[REDACTED]

[REDACTED]

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

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

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

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

16 Let me take that even a step further, in that

17 

18  So in our view, if
19 there's a subcontractor that is very proficient in a
20 particular type of work -- for example, the connection
21 between the main generator to the main transformer that
22 transmits the power out to the yard, that connection is
23 referred to as an isophase bus, and there's a special
24 vendor that does that work for a living. We required
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[REDACTED]

Q. You mentioned in an earlier answer that the

[REDACTED]

A. [REDACTED]

[REDACTED]

[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

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

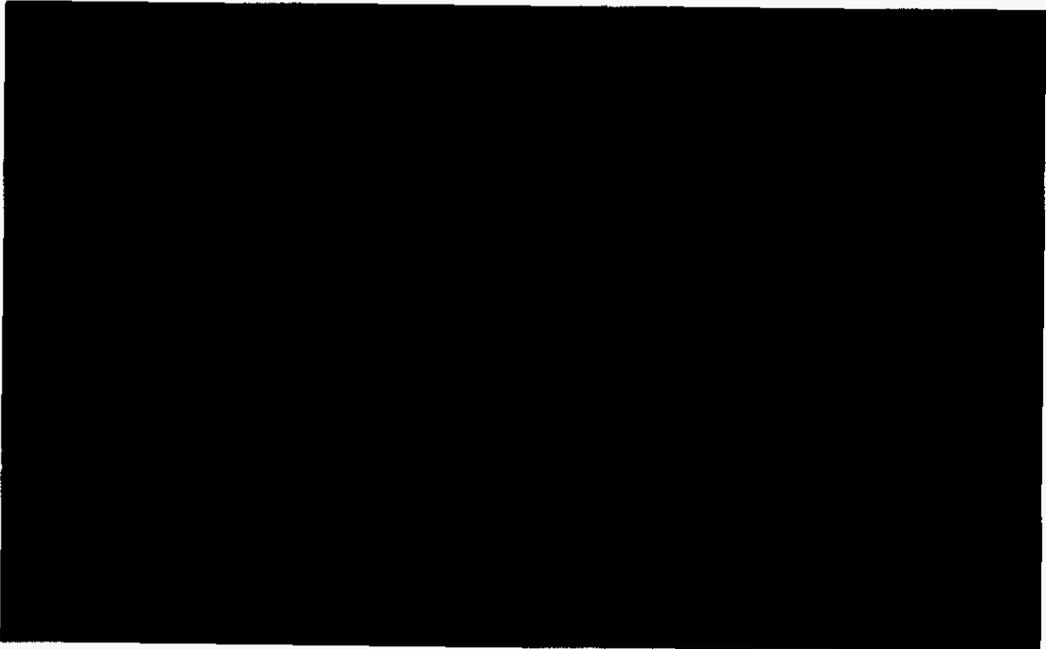
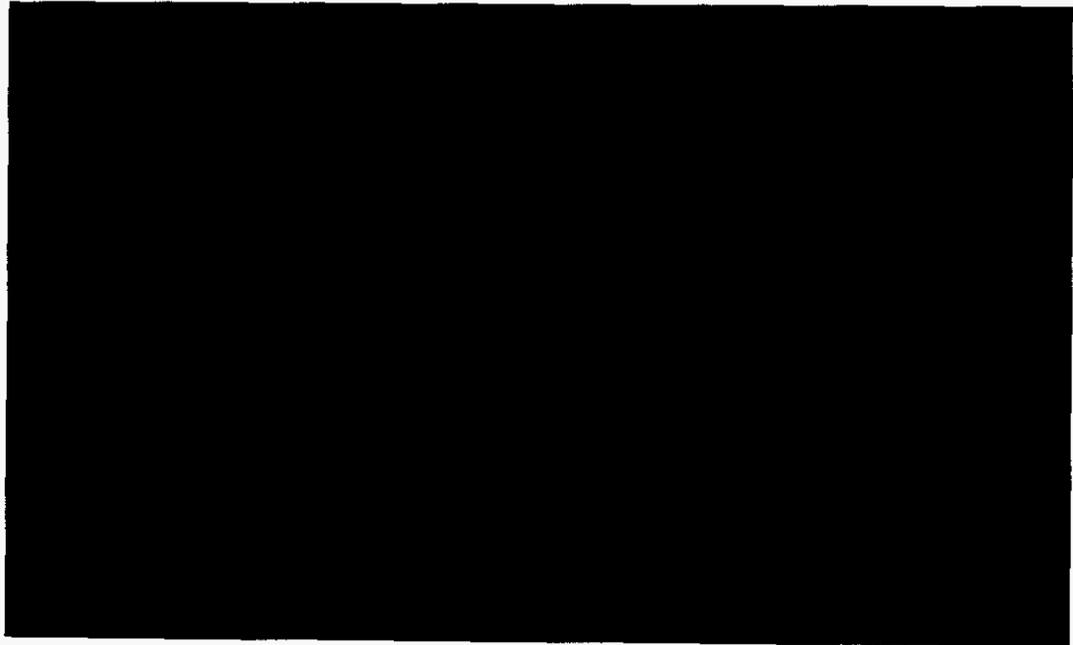
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]

12 [REDACTED]

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

25 That's only fair. [REDACTED]

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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

1 might get at it.

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

7 A. That's correct.

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

12 A. [REDACTED]
13 [REDACTED]

14 Q. [REDACTED]
15 [REDACTED]

16 A. [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]
23 [REDACTED]

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

1 defined by the identified scope at a point in time?

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

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

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

15 Q. All right. That answers my question.

16 A. [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 [REDACTED]

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

23 A. I'm on page 33.

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