

Levy project. In Order No. PSC-09-0783-FOF-EI, we stated that an economic analysis is required and that Rule 25-6.0423, F.A.C., does not provide a prescriptive list of requirements.¹⁴

However, we do not find that a breakeven analysis is necessary at this time for the EPU project. As noted above, the EPU project is scheduled to have completed or begun all four of the uprate outages by the end of 2012. We find that the capital cost estimates provided by FPL are adequate. A breakeven analysis would not provide additional, dispositive information beyond that which is provided in the CPVRR to determine the cost-effectiveness of the project.

7. Need for Separate Economic Analysis by Plant

Both OPC and FIPUG asserted that a separate economic cost-effectiveness analysis should be done for the St. Lucie and Turkey Point plants. OPC witness Jacobs suggested that the EPU project should be broken up into two separate analyses due to the higher estimated capital costs of the Turkey Point plant portion of the EPU project, and the Turkey Point's earlier license expiration dates.

FPL contended that the EPU project was conceived as a single project that encompassed the capacity of all four units, and that for consistency, should continue being analyzed as a single project. FPL witness Reed characterized breaking up the EPU project into two analyses as a fundamental change, and that it could have a negative impact upon financing.

Further, several FPL witnesses suggested that requiring separate feasibility analyses by plant site would be difficult. FPL witness Sim noted that while separate contracts were acquired for the plant sites, contracts were negotiated based on an uprate of all four nuclear units, and therefore they could not be used to determine costs for a single site without somehow excluding this benefit. FPL witness Jones noted that a similar advantage was gained by purchasing multiples of equipment, resulting in cost savings. Witness Jones suggested that by doing multiple units in parallel allowed additional benefits from sharing resources and the ability to apply lessons learned to later units.

We agree with FPL that a separate economic analysis for each of the EPU project plant is unnecessary, and would be difficult to calculate. While a mathematical average of the benefits derived from lessons learned and equipment bulk orders can be developed, it is not known if these would have materialized if only one plant was upgraded. Therefore, completing separate analyses would incorrectly attribute to the individual plants the benefits gained from performing uprates at both plants simultaneously.

B. Conclusion

Therefore, we approve what FPL has submitted for its 2010 and 2011 long-term feasibility analyses of completing the EPU project, as satisfactory for compliance with Rule 25-

¹⁴ See Order No. PSC-09-0783-FOF-EI, issued November 19, 2009, in Docket No. 090009-EI, In re: Nuclear Cost Recovery Clause, page 32.

6.0423, F.A.C. The EPU project is projected to save an estimated \$155 million to \$1,508 million over the life of the generating units.

XII. Prudence of 2009-2010 EPU Project Management

This issue addresses project management, contracting, accounting and oversight controls employed by FPL during 2009 and 2010 for the EPU project. Concerns regarding FPL's 2009 changes to the EPU management team and 2010 work stoppage costs were raised by audit staff. Additionally, pursuant to our decision at the beginning of the hearing, this issue also addresses concerns raised by OPC and supported by FIPUG and SACE regarding the prudence of FPL's fast track approach and the need for a breakeven analysis to determine the appropriate amount of EPU investment that should be allowed in rate base for rate making purposes. No additional FPL EPU project management concerns or deficiencies were identified by the parties or the audit staff witnesses.

A. FPL's 2009-2010 EPU Project Management and Related Controls

FPL witness Jones presented a summary of FPL's 2009-2010 EPU project management and related controls. The EPU project is being implemented in four overlapping phases: Engineering Analysis, Long Lead Equipment Procurement, Engineering Design Modification, and Implementation.

The Engineering Analysis Phase provides supporting analyses for the NRC License Amendment Request (LAR) filings, including the development and submittal of the LARs, identification and confirmation of major modifications, and refinement of the conceptual scope. The Long Lead Equipment Procurement Phase involves development of purchase specifications, vendor evaluation and review, selection of contractors, and refinement of the cost of long lead equipment. The detailed modification packages are prepared during the Engineering Design Modification Phase. These activities provide the basis for further detailed cost and schedule estimates during the Implementation Phase. During the Implementation Phase, the design packages are converted into detailed work orders for actual construction through verification of constructability and scheduling. The Implementation Phase also includes execution of the physical work, testing, and transition to normal operations.

Throughout 2009, FPL was in the Engineering Analysis Phase, approximately midway through the Long Lead Procurement phase, and in the early stages of the Engineering Design Modification and Implementation phases. FPL witness Jones asserted that, in 2009, the project scope was not fully defined and definitive cost estimates were not completed and were not expected to be completed. During 2010, FPL was nearing completion of the Engineering Analysis Phase and progressing in the other phases. Witness Jones asserted that FPL's 2010 non-binding cost estimates reflected the uncertainties of the early stage of the project. FPL quantified the associated project risks based on known information.

Witness Jones asserted that FPL had robust project planning, management, and execution processes in place. He further testified that FPL's personnel were experienced and FPL used guidelines and instructions to assist project personnel in their respective duties.