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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

SUPPLEMENTAL DIRECT TESTIMONY OF

KENT D. HEDRICK

ON BEHALF OF

PROGRESS ENERGY FLORIDA

DOCKET NO. 040007-EI

OCTOBER 25, 2004

Q. Please state your name and business address,

A. My name is Kent D. Hedrick. My business address is Post Office Box 14042, St. Petersburg, Florida 33733.

Q. By whom are you employed and in what capacity?

A. I am employed by Progress Energy Florida (PEF or "Company") as Manager of Environmental Services & Technical Assessment.

Q. What is the scope of your duties?

A. Currently, my responsibilities include management of the environmental compliance functions and activities for PEF.

Q. Have you previously filed testimony before this Commission in connection with Progress Energy Florida's Environmental Cost Recovery Clause (ECRC)?

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1 A. Yes, I have.

2

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

4 A. This testimony addresses Issue 10B of Staff's Prehearing Statement, which
5 questions whether there should be an adjustment for broken water main costs of
6 \$8,748 that were charged to an ECRC approved Distribution System
7 Investigation, Remediation and Pollution Prevention Program ("Distribution
8 Remediation Program") in PEF's final true-up for 2003.

9

10 **Q. What were the circumstances that led to the \$8,748 expenditure for broken**
11 **water main costs referenced in Issue 10B of Staff's prehearing statement?**

12 A. In August, 2003, the Company's remediation contractor began performing
13 remediation activities in Holiday, Florida, as part of the Company's approved
14 Distribution Remediation Program. During the course of the remediation work,
15 the removal of contaminated soil caused a previously unidentified water main to
16 fail and to begin leaking water. As a result, the Company engaged a plumbing
17 company to repair the broken water main at a cost of \$8,748. The required
18 remediation activity could not continue until the water main was repaired.

19

20 **Q. Why did the Company charge the \$8,738 expenditure to the Environmental**
21 **Cost Recovery Clause?**

22 A. We charged the expenditure to the Environmental Cost Recovery Clause
23 because it was incurred as the direct result of environmental compliance

1 activities undertaken as part of a Commission-approved program. Moreover, the
2 expenditure would not have been incurred but for such environmental
3 compliance activities.

4
5 **Q. What, if any, steps does the Company take to identify water mains before**
6 **undertaking remediation activities at distribution sites?**

7 The Company (or its remediation contractor) uses the Sunshine State One-Call
8 of Florida, Inc. (“Sunshine State System” or “System”), to identify water mains
9 and other underground facilities before undertaking remediation or other
10 activities involving excavation. In rare instances, we also have engaged a third
11 party contractor to perform specialized investigations at sites where there were
12 visible indications that underground facilities, such as propane lines, may be
13 present in the excavation area. The contractor uses specialized equipment, such
14 as ground penetrating radar, which is not readily available to PEF or its
15 remediation contractors.

16
17 **Q. What is the Sunshine State System?**

18 A. The Sunshine System was created under Chapter 556, F. S., to provide a free-
19 access notification service for the identification of buried lines including electric
20 lines, water mains, gas lines and other underground facilities. Section 556.104,
21 F.S., requires any person who furnishes or transports materials or services by
22 means of an underground facility in Florida to participate as a member operator
23 of the system, except that small cities as defined in section, 120.52, F.S., may

1 elect not to participate in the system. Upon notification by an “excavator,” the
2 system notifies member operators who are required to identify all of their lines
3 within the defined area of the excavation.

4
5 **Q. Why was the Company’s remediation contractor unaware of the water**
6 **main at issue?**

7 A. Because there were no visible signs or other indications of underground
8 facilities at the site, the remediation contractor relied on the Sunshine State
9 System. The contractor properly notified the System in advance of the
10 remediation activities. The System did not identify and any underground
11 facilities in the excavation area. I have since been informed that the water main
12 belonged to a private entity that was not a member operator of the system.

13
14 **Q. Was Geoview or any other specialized contractor called in to inspect the site**
15 **using the type of specialized equipment that you previously discussed?**

16 A. No specialized contractors were called in because there were no visible signs or
17 other indications that underground facilities may have been at the site.

18
19 **Q. Have any other water mains or underground facilities have been damaged**
20 **as a result of remediation activities conducted as part of the Distribution**
21 **Remediation Program?**

22 A. No. As indicated in Form 42- 5P of Exhibit No. ____ (JP-3) attached to my
23 testimony of September 3, 2004, PEF conducted remediation at 1,613

1 distribution sites in 2003. Of those remediations, the one discussed above is the
2 only instance in which an underground facility was damaged.

3

4 **Q. How much would it cost to hire contractors to conduct such specialized**
5 **inspections at each site where remediation activity is conducted as part of**
6 **the Distribution Remediation Program?**

7 A. Such inspections cost approximately \$500 per site. As stated in my pre-filed
8 testimony of September 3, 2004, we expect to conduct remediation activities at
9 784 sites in 2005. Thus, if Progress Energy were required to hire contractors to
10 conduct specialized inspections at each site, the Company would incur
11 additional costs of approximately \$392,000 in 2005 alone.

12

13 **Q. In your opinion, when is it prudent for PEF to contract for specialized**
14 **investigations at remediation sites rather than rely on the Sunshine State**
15 **System?**

16 Given the vast number of remediations that we have conducted over the past two
17 years and the fact that the Sunshine State System only failed to identify one
18 underground facility during that time period, I do not believe it would be
19 prudent to incur the costs of conducting specialized investigations at every site
20 targeted for remediation. In my opinion, it is only prudent to incur such costs in
21 the rare instances where there is some visible indication or other circumstances
22 suggesting that underground facilities may be present at a remediation site.

23

1 Q. Does this conclude your testimony?

2 A. Yes, it does.