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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION  
DIRECT TESTIMONY OF  
**KENT D. HEDRICK**  
ON BEHALF OF  
PROGRESS ENERGY FLORIDA  
DOCKET NO. 060007-EI  
SEPTEMBER 1, 2006

**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 Carolina as Manager, Performance Support.

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

**A.** Yes, I have.

**Q. Have your duties and responsibilities remained the same since you last filed  
testimony in this proceeding?**

**A.** Yes. Currently, my responsibilities include managing process technology  
systems, both existing and emerging, for the Energy Delivery Florida

1 organization. My environmental responsibilities are being transitioned to the  
2 Supervisor, System Integrity and Environmental Services.

3

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

5 **A.** My testimony provides estimates of the costs that will be incurred in the year  
6 2007 for PEF's Substation and Distribution System Investigation, Remediation  
7 and Pollution Prevention Programs (Projects #1 and #2, respectively), which  
8 were previously approved in PSC Order No. PSC-02-1735-FOF-EI, and for  
9 PEF's Sea Turtle/Street Lighting Program (Project #9) which was previously  
10 approved in PSC Order No. PSC-05-1251-FOF-EI.

11

12 **Q. What costs do you expect to incur in 2007 in connection with the Substation  
13 System Investigation, Remediation and Pollution Prevention Program  
14 (Project #1)?**

15 **A.** For 2007, we estimate Progress Energy will incur total O&M expenditures of  
16 \$4,347,620 in remediation costs for the Substation System Investigation,  
17 Remediation and Pollution Prevention Program. This amount includes  
18 estimated costs for remediation activities at 84 substation sites that have already  
19 been identified as requiring remediation.

20

21 **Q. What steps is the Company taking to ensure that the level of expenditures  
22 for the Substation System Program is reasonable and prudent?**

1    **A.**    The Company works annually with the FDEP to determine the sites that will be  
2           remediated to ensure compliance with DEP criteria and provides quarterly  
3           reports to the FDEP on progress made in remediating substation sites. To ensure  
4           the level of expenditures is reasonable and prudent, the Company selected  
5           contractors through a competitive bidding process and reviews invoices for  
6           accuracy.

7  
8    **Q.**    **What costs do you expect to incur in 2007 in connection with the**  
9           **Distribution System Investigation, Remediation and Pollution Prevention**  
10          **Program (Project #2)?**

11   **A.**    For 2007 we estimate total O&M expenditures of \$15,991,000 for the  
12          Distribution System Investigation, Remediation and Pollution Prevention  
13          Program to perform remediation activities at 1,531 sites. This estimate assumes  
14          341 3-phase transformer sites at an average cost of \$14,500 per site; 1,190  
15          single-phase transformer sites at an average cost of \$8,500 per site; as well as  
16          program management costs.

17  
18   **Q.**    **What steps is the Company taking to ensure that the level of expenditures**  
19          **for the Distribution System program is reasonable and prudent?**

20   **A.**    To ensure the level of expenditures is reasonable and prudent, the Company  
21          selected contractors through a competitive bidding process and frequently  
22          reviews invoices for accuracy and proper documentation. In addition, the  
23          Company closely monitors remediation work, performs sample testing of

1 inspection results, and provides quarterly reports to the FDEP on progress made  
2 in remediating distribution sites.

3

4 **Q. What costs do you expect to incur in 2007 in connection with the Sea  
5 Turtle/Street Lighting Program (Project #9)?**

6 A. For 2007, the projected expenses for the Sea Turtle/Street Lighting Program are  
7 approximately \$625,000. This amount includes \$475,000 in O&M costs and  
8 \$150,000 in capital expenditures to satisfy the new criteria that local  
9 governments are applying to ensure compliance with sea turtle ordinances in  
10 Franklin and Gulf Counties and the City of Mexico Beach. Capital and O&M  
11 cost estimates are based on modifications and/or replacement of approximately  
12 1,200 lighting fixtures. The cost projections assume that half of these lighting  
13 fixtures can be modified to meet the new criteria and the other half will have to  
14 be replaced with another type of lighting to meet the new criteria. Modification  
15 options include adding lenses, shielding, adjusting fixture height and/or  
16 buffering. Replacement with new technology lighting will occur where it is  
17 demonstrated that compliance with the new criteria cannot be achieved through  
18 modifications. An average unit cost of \$250 was used to estimate the O&M and  
19 capital budget. The estimated O&M projections also include costs for  
20 continued monitoring of the effectiveness of these retrofits, mapping current and  
21 proposed coastal lighting locations for compliance determinations, as well as  
22 research costs associated with developing lighting technology to use where  
23 required high pressure sodium lighting replacement is needed. Compliance

1 plans are still under review and may change based on the outcome of  
2 discussions with regulatory agencies to determine the most cost-effective and  
3 appropriate compliance measures for specific sites.

4

5 **Q. What steps is the Company taking to ensure that the level of expenditures**  
6 **for the Sea Turtle/Street Lighting Program is reasonable and prudent?**

7 A. Progress Energy continues to work with local governments and appropriate  
8 agencies to develop compliance plans that allow flexibility to make only those  
9 modifications that are necessary to achieve compliance. Case-by-case  
10 evaluation of each streetlight requiring modification will occur to ensure that  
11 only those activities necessary to achieve compliance are performed in a  
12 reasonable and prudent manner. In addition, Progress Energy will evaluate  
13 emerging technologies and incorporate their use where reasonable and prudent.

14

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

16 A. Yes, it does.