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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
DIRECT TESTIMONY OF
PATRICIA Q. WEST
ON BEHALF OF
PROGRESS ENERGY FLORIDA
DOCKET NO. 070007-EI
APRIL 2, 2007

Q. Please state your name and business address.

A. My name is Patricia Q. West. My business address is 299 First Avenue North, St. Petersburg, Florida 33701.

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

A. I am employed by the Environmental, Health and Safety Services Section of Progress Energy Florida ("Progress Energy" or "Company") as Manager of Environmental Services / Power Operations Group. In that position, I have responsibility to provide regulatory support and obtain necessary environmental permits for the implementation of compliance strategies pertaining to environmental requirements for power generation facilities in Florida.

Q. Please describe your background and experience in the environmental field.

A. I obtained my B.S. degree in Biology from New College of the University of South Florida in 1983. I was employed by the Polk County Health Department from 1983-1986 and by the Florida Department of Environmental Protection

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1 (“DEP”) from 1986-1990. At DEP, I was involved in compliance and
2 enforcement efforts associated with petroleum storage facilities. In 1990, I
3 joined Florida Power Corporation as an Environmental Project Manager and
4 then held progressively responsible positions in the company’s environmental
5 services department, including the position of team leader for the integration of
6 the environmental functions of Florida Power and Carolina Power and Light. I
7 previously served as Manager of Water Programs in the Environmental Services
8 Section of PEF’s Technical Services Department and as Manager of
9 Environmental Programs and Strategy. In 2005, I assumed my present position
10 as Manager of Environmental Services / Power Operations Group.

11

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

13 A. This testimony provides Progress Energy Florida’s Actual True-Up costs
14 associated with the following environmental compliance activities for the period
15 January 2006 thru December 2006: the Pipeline Integrity Management Program
16 (Project No. 3a); Phase II Cooling Water Intake (Project No. 6); Above Ground
17 Tank Secondary Containment (Project No. 4); Clean Air Projects for Anclote
18 (Project No. 7.1), Combustion Turbines (Project No. 7.2) and Crystal River
19 AFUDC (Project No. 7.3).

20

21 **Q. How did actual O&M expenditures for January 2006 thru December 2006**
22 **compare with PEF’s estimated / actual projections as presented in previous**
23 **testimony and exhibits?**

24 A. Details regarding each of the identified projects are provided below:

1 **O&M Project Variances:**

2 **1. The Pipeline Integrity Management Program (Project No. 3a):** The
3 Pipeline Integrity Management (PIM) O&M project expenditures were
4 \$412,091 or 58.2% lower than projected. The majority of the variance was
5 the result of delays on various projects for the following reasons: (1)
6 research and design phase took longer than anticipated, (2) inability to
7 finalize contractual agreement with vendor, and (3) termination of agreement
8 with design vendor that was not performing as expected. An effort will be
9 made to include the work not completed in 2006 in the 2007 work plan.

10

11 **2. Phase II Cooling Water Intake Program (Project No. 6):** Project
12 expenditures were \$202,280 or 22.7% lower than projected. The variance is
13 attributable to some program studies being deemed unnecessary that were
14 originally projected to be performed. The program was originally budgeted
15 assuming that all possible studies would be required; however, initial studies
16 at Crystal River Units 1, 2, 3, and Suwannee plants rendered subsequent
17 studies unnecessary. Also, contractor use of graduate students for field work
18 at Crystal River and Suwannee resulted in lower labor costs than originally
19 anticipated. This approach could not be determined until the bids were
20 received.

21

22 **Q. Have there been any recent developments that affect the status of the Phase**
23 **II Cooling Water Intake Program?**

1 A. Yes. On January 25, 2007, the U.S. Court of Appeals for the Second Circuit
2 remanded several substantive portions of the Phase II rules back to the U.S.
3 Environmental Protection Agency (EPA) for further action. In light of the
4 Court's decision, on March 20, 2007, EPA's Assistant Administrator issued a
5 memorandum stating that EPA expects to issue a Federal Register notice in the
6 near future to formally suspend the rule. The memorandum further states that,
7 in the meantime, all permits for Phase II facilities should include conditions
8 under Section 316(b) developed based on Best Professional Judgment (BPJ).
9 BPJ permit conditions are yet to be determined.

10

11 **Q. How does the Second Circuit's decision affect Progress Energy's**
12 **implementation of the Phase II Cooling Water Intake Program?**

13 A. Because they may provide information relevant to the development of Section
14 316(b) conditions under EPA's "BPJ" approach and future regulations adopted
15 in response to the Second Circuit's decision, Progress Energy is completing
16 certain cooling water intake studies that were initiated before the Court's
17 decision and are nearing completion. Whether and the extent to which any
18 further action will be required depends upon discussions with DEP as well as
19 any further action taken by EPA in response to the Second Circuit's decision.

20

21 **Q. How did actual Capital recoverable costs for January 2006 thru December**
22 **2006 compare with PEF's estimated / actual projections as presented in**
23 **previous testimony and exhibits?**

24 A. Details regarding each of the identified projects are provided below:

1 **Capital Project Variances:**

2 **1. Above Ground Tank Secondary Containment (Project No. 4):**

3 Recoverable costs were \$41,947 or 11.6% lower than projected. The
4 variance is primarily attributable to a delay in placing the Intercession City
5 tanks in service to begin depreciation due to invoices that were in dispute.
6 These tanks were placed in service in March 2007 with the projected in
7 service date of November 2006. Also, the Turner project has not been
8 placed in service due to continuing efforts to resolve material quality issues.
9 Evaluation of these materials will continue into 2007.

10

11 **2. Clean Air Projects**

- 12 • **Anclote CAIR (Project No. 7.1):** Actual capital expenditures were
13 \$66,645 or 55.1% less than projected. The variance is due to a delay in
14 the completion of studies to analyze emission control technology options
15 and identify a cost effective approach. This work is now planned for
16 2007.
- 17 • **Combustion Turbine CAIR (Project No. 7.2):** Actual capital
18 expenditures were \$398,417 or 44.1% less than projected. The variance
19 is the result of several factors, including the unavailability of work crews
20 due to extended outage work at Bartow, material usage costs less than
21 projected in late 2006, and the ability to reuse some fuel oil flow meters
22 rather than purchase new meters.
- 23 • **Crystal River AFUDC (Project No. 7.3):** These capital expenditures
24 for engineering, design, and construction of emission control facilities at

1 Crystal River qualify for AFUDC and therefore will not be included in
2 the recoverable costs until the associated pollution controls are placed in
3 service. Progress Energy projected total capital expenditures to be
4 \$34,650,045 in 2006 and anticipated the signing of the construction
5 contract and mobilization of equipment and personnel by December
6 2006. Actual expenditures were \$10,698,570 or 30.9% less than
7 expected because the contract for engineering, procurement, construction
8 and project management (“EPC contract”) has not been finalized;
9 finalization is expected in the second quarter of 2007.

10

11 **Q. Have there been any other developments concerning Progress Energy’s**
12 **Clean Air Compliance Plan?**

13 A. Yes. As Mr. Portuondo stated in supplemental testimony in last year’s docket
14 (No. 060007-EI), costs for major construction projects have increased over
15 original projections due to continued price increases in commodities, equipment
16 and labor. Progress Energy continues to monitor project costs and anticipates
17 adjustments to the Clean Air compliance strategy in order to achieve compliance
18 in the most cost-effective manner. Progress Energy plans to update the
19 Commission on the status of the Company’s compliance strategy after the EPC
20 contract has been finalized.

21

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

23 A. Yes it does.