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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF

KEVIN MURRAY

ON BEHALF OF

PROGRESS ENERGY FLORIDA

DOCKET NO. 100007-EI

April 1, 2010

**Q. Please state your name and business address.**

A. My name is Kevin Murray. 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 Progress Energy Florida ("PEF") as General Manager of Plant Construction Projects.

**Q. What are your responsibilities as General Manager of Florida Construction Projects?**

A. As General Manager of Projects, I am responsible for the oversight of PEF's major fossil generation projects, including the Crystal River Units 4 and 5 air quality control system projects.

COM 5  
APA 1  
ECR 6  
GCL 1  
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SSC  
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1 **Q. Please describe your educational background and professional experience.**

2 A. I received my Bachelor of Science Degree in Mechanical Engineering from the  
3 University of Arizona. I have 16 years of professional experience in engineering and  
4 project management within the electric power industry. I started my career in the power  
5 industry with Westinghouse Power Generation (now Siemens) based in Orlando, where I  
6 was employed as an engineer working on power plant proposals. During this time, I  
7 received an award for my work on a project in Thailand. I went to work for El Paso  
8 Corporation as an engineer and then as a project manager. I was involved in projects in  
9 both North and South America, including 1-year residency in Brazil. I joined Progress  
10 Energy in 2004 and served as the director of engineering for the Company's new fossil  
11 power projects. In 2008, I was promoted to General Manager of Projects for Progress  
12 Energy Florida, which includes responsibility for implementing the Crystal River Units  
13 4 and 5 air quality control system projects.

14  
15 **Q. Are you sponsoring any exhibits with your testimony?**

16 A. Yes. I am sponsoring Exhibit No. \_\_ (KM-1), which is an organization chart showing  
17 the organizational structure the Company has established for management and oversight  
18 of internal company personnel and contractors involved in the Crystal River Project.

19  
20 **Q. What is the purpose of your testimony?**

21 A. The purpose of my testimony is to summarize the status of PEF's implementation of the  
22 Crystal River Project, including the variance between actual 2009 Project expenditures  
23 and the Estimated/Actual projection submitted in Docket No. 090007-EI. I also will

1 describe some of the measures PEF has taken to ensure that the costs incurred for the  
2 Crystal River Project are reasonable and prudent.

3  
4 **Q. What is the current status of the Crystal River Project?**

5 A. The Crystal River Project is on schedule to meet the in-service dates set forth in the  
6 Integrated Clean Air Compliance Plan approved by the Commission in Docket No.  
7 070007-EI. Over the past year, we have achieved several significant project milestones  
8 including:

- 9 • Crystal River Unit 5 SCR in service in June 2009;
- 10 • Completion of the SCR Common project in July 2009; and
- 11 • Crystal River Unit 5 FGD in service in December 2009.

12 As discussed in the annual review of PEF's compliance plan previously submitted in this  
13 docket, there are uncertainties associated with all major construction projects including  
14 the Crystal River Project. At this time, however, the Crystal River Project is on-  
15 schedule to achieve the in-service dates set forth in PEF's Commission-approved  
16 Integrated Clean Air Compliance Plan.

17  
18 **Q. How do the actual project expenditures for the Crystal River Project compare with**  
19 **PEF's estimated/actual projections for the period January 2009 to December 2009?**

20 A. The actual total expenditures for the Crystal River Projects in 2009 were \$213.5 million,  
21 which is approximately \$2 million (1%) less than projected in PEF's Estimated/Actual  
22 projection. The difference is attributable to the unused portion of the project's  
23 contingency that is used to manage acknowledged risks that are likely to occur during

1 the project. Risks projected to occur during 2009 did not materialize, but may still occur  
2 during the remainder of the project.

3  
4 **Q. Please describe the management structure being used to oversee implementation of**  
5 **the Crystal River Project?**

6 A. PEF has established an organizational structure to ensure prudent decision-making and  
7 project oversight as implementation of the Integrated Clean Air Compliance Plan  
8 proceeds. The specific team for the Crystal River Project is as shown in Exhibit No. \_\_\_  
9 (KM-1). The Company has assigned me as the General Manager with primary overall  
10 responsibility and accountability for the Crystal River Project. I oversee all of the  
11 internal team members as well as all of the external contractors working on the project.  
12 My project management team, which also includes a dedicated Project Engineer and  
13 Project Controls personnel, regularly works with Company personnel from other  
14 departments, including Environmental, Health and Safety Services, Corporate Services,  
15 Fossil Generation, Legal, and Regulatory Planning as needed.

16  
17 To promote efficient integration of the new equipment with current operations, the  
18 Company also has established a Plant Integration Team (PIT) that will be involved  
19 through the startup and commissioning process. The PIT was established early in the  
20 life of the Project to allow for plant operational input into the technical and functional  
21 requirements incorporated in the Project design, the operational design features, the  
22 anticipated operation of the new systems and the performance guarantees. During the  
23 construction phase, the PIT provides interface between me and plant operations and has  
24 the primary responsibility for developing operational maintenance procedures for the

1 new equipment. The PIT also will participate in startup integration for commercial  
2 operation.

3

4 **Q. Has the Company implemented policies and procedures to ensure proper**  
5 **management of the Crystal River Project and to control project costs?**

6 A. Yes. The project is being implemented in accordance with the Generation  
7 Construction Department's policies and procedures, which prescribe specific  
8 requirements for project management, quality assurance/quality control (QA/QC),  
9 schedule management, cost accounting and reporting, and other aspects of the project  
10 implementation. These policies and procedures reflect the collective experience and  
11 knowledge of the Company. They have been tested on other capital projects of this  
12 nature and reflect lessons learned from those projects. They also are consistent with best  
13 practices for capital project management in the industry.

14

15 **Q. Are employees involved in the Crystal River Project trained in the Company's**  
16 **project management and cost control policies and procedures?**

17 A. Yes, they are. The project management team for the Crystal River Project has been  
18 trained in these policies and procedures.

19

20 **Q. Does the Company verify that the project management and cost control policies**  
21 **and procedures are followed?**

22 A. Yes, it does. PEF uses internal audits to verify that its program management and  
23 oversight control are in place and being implemented.

24

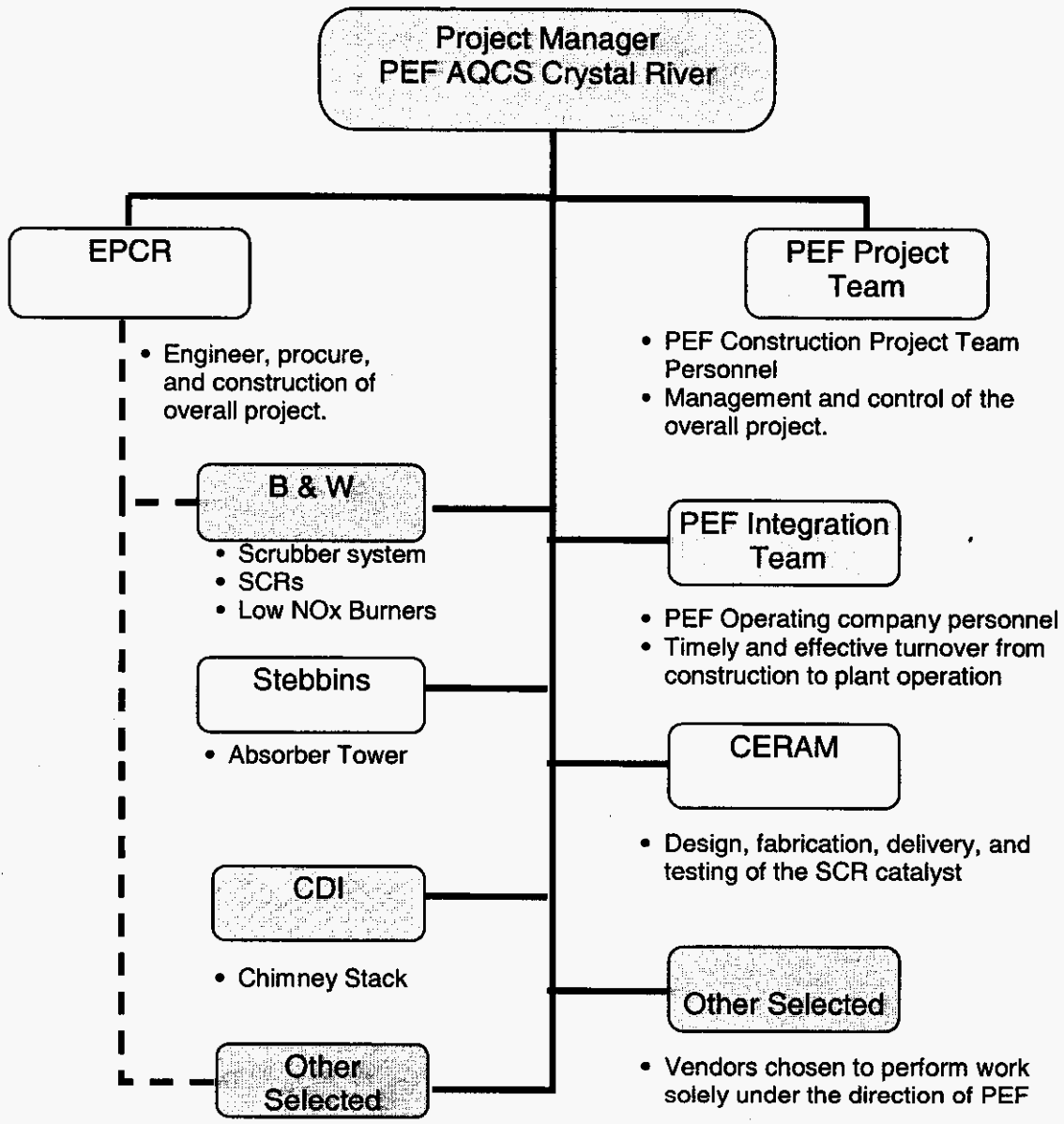
1 **Q. Has the Company implemented other mechanisms to ensure proper oversight and**  
2 **review of the Crystal River Project?**

3 A. Yes. We have implemented several mechanisms to ensure proper oversight and review  
4 of the Crystal River Project. Among other things, the project management team  
5 regularly prepares Project Cost Reports to track project expenditures against the detailed  
6 project scopes to ensure that PEF receives what it contracted for and that any scope  
7 changes are properly evaluated and documented.

8  
9 We also conduct a wide variety of meetings to maintain supervision of the project and to  
10 ensure that Company management remains fully informed. We conduct regularly  
11 scheduled, monthly meetings with the EPC contractor (EPCR) and primary FGD and  
12 SCR design and procurement contractor (B&W) to review construction progress and the  
13 remaining scope of work. Following those meetings, we hold regular monthly meetings  
14 with executive management to review the status of the project and its costs, as well as  
15 the administration of the various contracts. Executives from EPCR and B&W  
16 participate in these meetings to ensure that management expectations are communicated  
17 to the outside vendors as well as the project team.

18  
19 **Q. Does this conclude your testimony?**

20 A. Yes, it does.



- Vendors chosen to perform work under contract with PEF by whose day to day activities are coordinated through EPCR.