BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF

MARK HELLSTERN

ON BEHALF OF

DUKE ENERGY FLORIDA

DOCKET NO. 130007-EI

August 1, 2013

Q. Please state your name and business address.

A. My name is Mark Hellstern. My business address is 1729 Bailles Bluff Rd., Holiday, FL 34691.

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

A. I am employed by Duke Energy Florida, Inc. ("DEF" or the "Company") as the Project Director for the Anclote Gas Conversion Project.

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Q. What are your responsibilities in that position?

A. My responsibilities entail major project planning and execution, including oversight, construction, commissioning and start up. My primary duties involve managing engineering activities to ensure project scope is accurate and complete, providing input to estimate development, assisting in the development of project execution and contracting strategies, and providing input to the overall project schedules and oversight of construction execution. These duties are

relevant to projects that emerge from system planning and environmental planning activities where specific projects are identified as viable projects that will move forward into funding, contracting, design, construction and startup phases. Our group generally accommodates projects in excess of $50 million in value.

Q. Please describe your educational background and professional experience.

A. I started with Duke Energy in December 2011 as the Major Project Manager for the Crystal River 3 Containment Repair Project, and was responsible for managing engineering activities, estimate development, scope certainty, project staffing and management, options analysis, and contract negotiations and selection of vendors to repair the containment structure. In late 2012, I assumed a rotational assignment as Manager, Project Governance in support of building project management governance and processes for the newly merged company. I assumed the position as Project Director for the Anclote Gas Conversion Project in late June 2013 due to George Hixon's retirement. Previously, from 2009-2011, I was employed by Tennessee Valley Authority as General Manager, Nuclear Generation Development and Construction (NGDC) for Quality and Construction Oversight. In this capacity, I was responsible for the development and implementation of nuclear construction quality programs, construction oversight, and project management processes. I had oversight of the Watts Bar II Completion Project, Bellefonte Completion Project, and Major Nuclear Outages over $100 million. In a rotational leadership assignment, I was

also the Senior Manager, Project Support and Infrastructure, for the Bellefonte Nuclear Plant Construction Completion Project. In 2009, I retired as a Captain in the US Navy after 26 years of service. In my last assignment, from 2006-2009, I was the Senior Advisor to the Director, Naval Reactors, for Aircraft Carrier Operations and Fleet Training Initiatives and was the Senior Naval Officer charged with oversight of the Navy's 11 nuclear aircraft carriers for safe operations, maintenance, construction, and refueling including the training programs for over 1500 nuclear operators. I served in 8 ships through 11 combat deployments and commanded the USS HAYLER (DD 997). I have led or had leadership roles in shipbuilding and commercial projects ranging from $3 million to $5 billion. I served in the Pentagon as the Secretary of Defense Deputy Director for Asian and Pacific Affairs and as the Executive Assistant to the Principle Deputy Secretary of Defense for Policy. I hold a BS in Marine Engineering from the US Naval Academy and an MS in Physics with Distinction from the US Naval Postgraduate School. I am a distinguished graduate of the Air Command and Staff College and was the Senior Military Fellow at MIT in Security Studies.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to provide an update on the Mercury and Air Toxics Standards (MATS) - Anclote Gas Conversion Project (Project 17.1).

Q. What has been your role in the Anclote Gas Conversion Project?

A. I transitioned into the role as Project Manager for the Anclote Gas Conversion Project in late June 2013. I worked with Mr. George Hixon, the previous Project Manager, to ensure efficient transition. Like Mr. Hixon, I am responsible for overall construction management and review of engineering studies, schedules and estimates to ensure the project is accurately defined, and an adequate timeline for the project is executed. . In addition, I work with others in the organization to lead internal contract planning and strategy efforts, and work with supply change to contract boiler modification work and balance of plant (BOP) engineering services.

Q: Did you review the Direct Testimony of Mr. George Hixon filed in this docket on April 1, 2013?

A: Yes, and I will be adopting that testimony on behalf of the Company. I have personal knowledge of the facts that Mr. Hixon discussed in his testimony due to my previous oversight role as Manager, Project Governance and participation in monthly review meetings with Mr. Hixon's project team. Mr. Hixon and I had a thorough transition, and I have a full understanding of the scope and execution of the project.

Q. What costs do you expect to incur in 2013 in connection with the MATS – Anclote Gas Conversion Project (Project 17.1)?

A. We currently expect to incur approximately $64.7 million of costs for the project in 2013. Such costs include contractor mobilization; some permitting activities;

BOP detailed engineering services and equipment procurement; boiler controls engineering; procurement of boiler equipment, associated engineering, materials, and components needed to complete conversion of Unit 1 and Unit 2; actual field engineering and contractor construction execution costs for Unit 1 and BOP scope; construction execution for Unit 2 gas conversion; and detailed engineering and procurement of components needed to modify and upgrade the natural gas metering and regulating station and Force Draft (FD) Fan modification.

Q. Please explain the variance between the Estimated/Actual project expenditures and the original projections for the MATS – Anclote Gas Conversion Program (Project 17.1) for the period January 2013 to December 2013.

A. We currently expect to incur $16.8 million more for 2013 than originally projected in DEF's 2013 Projection Filing. This variance is primarily attributable to scope changes in the boiler and electrical commodities for Unit 1 and BOP due to unexpected "as found" conditions which required engineering and field modifications to complete the additional scope of work for Unit 1 and BOP. Additionally, as engineering matured for the Fan Modification Scope, procurement costs and estimated installation costs increased. The Unit 1 Gas Conversion was completed and placed into commercial service on July 13, 2013. The Unit 2 Gas Conversion is expected to be completed and placed into service in December 2013.

Q. Does the Anclote Gas Conversion Project remain on schedule to meet its targeted in-service date?

A. Yes, consistent with the schedule set forth in Mr. Hixon's April 1, 2013 testimony, the Unit 1 Gas Conversion was completed on July 13, and DEF continues to expect that Unit 2 will be fully converted to natural gas by mid-December 2013. DEF also anticipates that it will complete installation of the FD fans in early second quarter 2014.

Q. Does this conclude your testimony?

A. Yes.