

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
DIRECT TESTIMONY OF
KENT D. HEDRICK
ON BEHALF OF
PROGRESS ENERGY FLORIDA
DOCKET NO. 030007-EI
SEPTEMBER 8, 2003

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 as Supervisor of Environmental Services.

Q. What is the scope of your duties?

A. Currently, my responsibilities include management of the environmental compliance functions and activities for Progress Energy Florida (PEF or “Company”).

Q. Please describe your educational background and professional experience.

1 **A.** I received a Bachelors of Science degree in Environmental Engineering from the
2 University of Florida. In addition, I am a registered professional engineer in the
3 State of Florida. I was just recently promoted to Supervisor of Environmental
4 Services. Before then, I held several environmental management positions with
5 the Company.

6

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

8 **A.** The Commission approved PEF's Substation and Distribution System
9 Investigation, Remediation and Pollution Prevention Programs last year in PSC
10 Order No. PSC-02-1735-FOF-EI. This testimony provides estimates of the costs
11 that will be incurred for these programs in the year 2004.

12

13 **Q.** **What costs do you expect to incur in 2004 in connection with the Substation**
14 **System Investigation, Remediation and Pollution Prevention Program?**

15 **A.** For 2004, we estimate total O&M expenditures of \$754,353 for the Substation
16 System Investigation, Remediation and Pollution Prevention Program for
17 remediation activities at 52 substation sites that are expected to be identified as
18 requiring remediation during 2004. In addition, PEF is continuing to develop
19 pollution prevention measures for substation transformer sites and anticipates
20 seeking recovery of the actual costs of implementing new pollution prevention
21 measures in 2004. At this time, however, PEF is unable to estimate such costs.

22

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

3 A. The Company will solicit competitive bids for the remediation activities
4 necessary to comply with DEP criteria to ensure the level of expenditures is
5 reasonable and prudent. Current and planned pollution prevention activities also
6 will ensure the level of expenditures is reasonable and prudent since these
7 activities are designed to eliminate the source of the contamination (i.e. leaking
8 mineral oil-filled electrical equipment); thereby minimizing the need for
9 remediation in the future..

10

11 **Q. What costs do you expect to incur in 2004 in connection with the**
12 **Distribution System Investigation, Remediation and Pollution Prevention**
13 **Program?**

14 A. For 2004, we estimate total O&M expenditures of \$5,168,353 for the
15 Distribution System Investigation, Remediation and Pollution Prevention
16 Program. These estimated O&M expenditures cover remediation activities at
17 518 distribution transformer sites. The sites include 498 3-phase transformer
18 sites that have already been identified as requiring remediation and 20 high
19 priority single-phase transformer sites expected to be identified as requiring
20 remediation during ongoing inspections.

21

22 Because the Company is only starting to conduct remediation activities at 3-
23 phase transformer sites, remediation costs for those sites are difficult to estimate.

1 However, the extent and magnitude of contamination is expected to be greater at
2 the 3-phase transformer sites than at single-phase transformer sites because the
3 3-phase transformers contain a greater volume of oil. As a placeholder, PEF has
4 used an estimated unit remediation cost for the 3-phase transformer sites of
5 approximately \$10,000 per site on average. Actual costs could be significantly
6 higher or lower.

7
8 The 20 site figure used for high priority single-phase sites is an estimate of the
9 number of sites expected to be identified in 2004 as having a heightened
10 potential environmental impact and, therefore, needing priority attention.

11 Because the results of inspections are difficult to predict, the actual number of
12 these sites could differ substantially from this estimate. The unit remediation
13 cost for these sites is assumed to be \$8,500 per site on average.

14

15 **Q. What steps is the Company taking to ensure that the level of expenditures**
16 **for the Distribution System Program is reasonable and prudent?**

17 A. The contract pricing for the remediation activities that are a part of the
18 Distribution System Program were established through competitive bidding
19 ensuring they are reasonable and prudent.

20

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

22 A. Yes.

23