

Hopping Green & Sams

Attorneys and Counselors

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(850) 425-2359

August 4 2004

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Blanca Bayó  
Director, Division of Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399

Re: Docket 040007-EI

Dear Ms. Bayó:

Enclosed for filing in the above referenced docket on behalf of Progress Energy Florida, Inc. ("PEF") are the original and fifteen copies of the Pre-filed Testimony of Patricia Q. West, Kent D. Hedrick, and Javier Portuondo, along with Mr. Portuondo's Exhibit No. \_\_\_ (JP-2). I also have includes a diskette containing the testimony in Microsoft Word format and Mr. Portuondo's exhibit in Acrobat pdf format.

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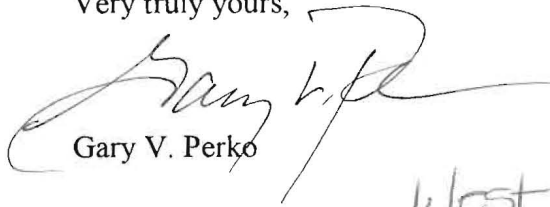
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OTH \_\_\_

Please acknowledge receipt and filing of the above by stamping the enclosed extra copies of the testimony and attached exhibit and returning them to me. If you have any questions concerning this filing, please contact me at 425-2359.

Thank you for your assistance in connection with this matter.

Very truly yours,

  
Gary V. Perko

West 08473-04  
Hedrick 08474-04  
Portuondo 08475-04

GVP/jlm  
Enclosures  
cc: Certificate of Service

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DOCUMENT NUMBER-DATE

P.V.N.  
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**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by regular U.S. mail and/or hand-delivery (\*) to the following in Docket No. 040007-EI this 4<sup>th</sup> day of August, 2004.

Marlene Stern\*  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, FL 32399-0850

James A. McGee  
Progress Energy Florida, Inc.  
P.O. Box 14042  
St. Petersburg, FL 33733-4042

John T. Butler, Esq.  
Steel Hector & Davis, LLP  
200 S. Biscayne Bay Blvd, Ste.  
Miami, FL 33131-2398

Lee L. Willis, Esq.  
James D. Beasley, Esq.  
Ausley & McMullen  
P.O. Box 391  
Tallahassee, FL 32302

Robert Vandiver, Esq. (\*)  
Office of Public Counsel  
111 West Madison Street, Rm. 812  
Tallahassee, FL 32399

Jeffrey A. Stone, Esq.  
Russell A. Badders, Esq.  
Beggs and Lane  
P.O. Box 12950  
Pensacola, FL 32576

Florida Industrial Power Users Group  
c/o John W. McWhirter, Jr.  
McWhirter Reeves  
400 North Tampa Street, Suite 2450  
Tampa, FL 33602

Vicki Gordon Kaufman, Esq.  
Joseph A. McGlothlin, Esq.  
McWhirter Reeves, et al.  
117 South Gadsden Street  
Tallahassee, FL 32301

Florida Power & Light Co.  
R. Wade Litchfield, Esq.  
700 Universe Blvd.  
Juno Beach, FL 33408-0420

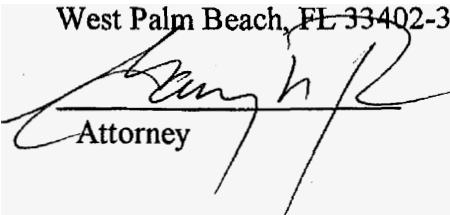
Florida Power & Light Co.  
Bill Walker  
215 S. Monroe Street, Suite 810  
Tallahassee, FL 32301

Gulf Power Company  
Susan Ritenour  
One Energy Place  
Pensacola, FL 32520-0780

Tampa Electric Company  
Angela Llewellyn  
Regulatory Affairs  
P.O. Box 111  
Tampa, FL 33601-0111

Progress Energy Florida, Inc.  
Bonnie E. Davis  
106 East College Avenue, Suite 800  
Tallahassee, FL 32301-7740

Florida Public Utilities Company  
Mr. John T. English  
P. O. Box 3395  
West Palm Beach, FL 33402-3395

  
Attorney

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF

PATRICIA Q. WEST

ON BEHALF OF

PROGRESS ENERGY FLORIDA

DOCKET NO. 040007-EI

AUGUST 4, 2004

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

**A.** My name is Patricia Q. West. My business address is 100 Central Avenue, St. Petersburg, Florida, 33701.

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

**A.** I am employed by Progress Energy Florida, Inc. ("Progress Energy" or "Company") as Manager of Environmental Projects and Strategy. In that position, I have responsibility for the development of compliance strategies pertaining to new regulatory requirements for energy supply facilities in Florida, North Carolina, South Carolina and Georgia.

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

**A.** Yes, I have.

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

3 **A.** Yes.

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

6 **A.** The purpose of my testimony is to explain material variances between the  
7 Estimated/Actual project expenditures and the original cost projections for  
8 environmental compliance costs associated with PEF's Pipeline Integrity  
9 Management ("PIM") Program for the period January 2004 through December  
10 2004.

11 I will also explain the projected expenditures associated with PEF's  
12 Section 316(b) Cooling Water Intake Program for the remainder of 2004. PEF  
13 petitioned the Commission for approval of cost recovery for the Section 316(b)  
14 Cooling Water Intake Program on May 18, 2004. *See* Docket No. 040472.

15  
16 **Q. Please explain the projected variance in O&M costs associated with the**  
17 **Pipeline Integrity Management ("PIM") Program (Project #3a).**

18 **A.** O&M costs for the PIM Program are projected to be \$745,000 higher than  
19 originally projected. This variance is attributable to four factors. First, PEF  
20 originally projected a total of \$215,000 in O&M costs for the PIM program.  
21 This included \$150,000 for performing the baseline integrity assessment on the  
22 Bartow/Anclote pipeline segment, \$50,000 for initiating the baseline assessment  
23 of the Bartow above-ground piping segment, and \$15,000 for reviewing and

1 evaluating the results. Based on costs incurred to date and contractor bids for  
2 the remaining work, PEF now projects the costs of these activities for 2004 to be  
3 \$290,000, resulting in a projected year-end variance of \$75,000.

4 Second, PEF originally projected \$20,000 in 2004 O&M costs to support  
5 the leak detection system. Because the work is being performed as part of a  
6 capital project, PEF has reclassified these expenses as capital costs, resulting in  
7 a negative variance of (\$20,000) in O&M costs.

8 Third, due to increased workload associated with the PIM program, PEF  
9 created a new position solely devoted to oversight of the PIM program, resulting  
10 in a variance of approximately \$140,000 in O&M costs.

11 Finally, in accordance with the PIM Plan, PEF's risk assessments have  
12 identified unanticipated O&M projects that need to be undertaken to reduce  
13 risks to pipeline integrity and security. For the remainder of 2004, PEF expects  
14 to incur \$250,000 in O&M costs for various remedial, preventative, and  
15 mitigative actions along the pipeline. In addition, PEF projects \$300,000 in  
16 O&M costs to lower a segment of the Bartow-Anclote pipeline below Alligator  
17 Creek to ensure adequate coverage where water flow and meandering have  
18 exposed the pipeline. The county regularly cleans vegetation from the creek  
19 with large equipment to maintain flow, creating a high probability for damage to  
20 the pipeline unless the pipeline is lowered. This measure is necessary to comply  
21 with the PIM regulations (49 CFR Part 195) and PEF's PIM Plan, which require  
22 the company to evaluate potential threats to pipeline integrity, like third party  
23 damage, and to take preventative measures to provide enhanced protection.

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**Q. Please explain the projected variance in capital costs for the Pipeline Integrity Management (“PIM”) Program (Project #3b).**

**A.** Capital costs for the PIM Program are projected to be \$692,706 higher than originally projected. This variance is attributable to several factors. First, PEF originally projected that work on the leak detection system for the Bartow/Anclote pipeline would be completed in 2003. However, the project was not completed on schedule. Year-to-date, PEF had a reclass of costs from the prior period (discussed in Mr. Portuondo’s testimony) and has incurred \$131,060 in capital costs for the project and we anticipate incurring an additional \$20,000 by year’s end (as discussed above this expense was originally classified as O&M). Thus, we project a variance of \$151,060 in capital costs for the leak detection system.

Second, PEF projects \$60,000 in previously unanticipated capital costs to construct a protection system around a section of the pipeline at Alderman Road in order to reduce risks to pipeline integrity. This section of the pipeline is routed along a sand embankment that is used by four wheel drive vehicles for recreational purposes. This activity has left the pipeline exposed and vulnerable to further damage unless measures are taken to preclude public access. This is necessary to comply with the PIM regulations (49 CFR Part 195) and PEF’s PIM Plan which, as discussed above, require the company to take preventative measures to provide protection against potential threats to pipeline integrity, including third party damage.

1

2 **Q. What costs do you expect to incur in 2004 in connection with Section 316(b)**  
3 **Cooling Water Intake Program?**

4 **A.** On May 18, 2004, PEF petitioned the Commission for approval of cost recovery  
5 for a new environmental program required to comply with new regulations  
6 adopted by the U.S. Environmental Protection Agency under Section 316(b) of  
7 the Clean Water Act. For the remainder of 2004, we estimate total O&M  
8 expenditures of \$50,000 to \$100,000 for the development of a Proposal for  
9 Information Collection required by the new regulations. However, those  
10 projected costs do not exceed the \$287,500 in environmental study costs that  
11 PEF included in the MFRs filed in Docket No. 000824-EI. Thus, consistent  
12 with Commission's offsetting policy discussed in PEF's petition, PEF does not  
13 project any recoverable costs for this program in 2004.

14

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

16 **A.** Yes it does.

17