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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF

KENT D. HEDRICK

ON BEHALF OF

PROGRESS ENERGY FLORIDA

DOCKET NO. 040007-EI

SEPTEMBER 3, 2004

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 Manager of Environmental
Services & Technical Assessment.

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

A. Yes, I have.

Q. What is the purpose of your testimony?

A. The Commission approved PEF's Substation and Distribution System
Investigation, Remediation and Pollution Prevention Programs in Order No.

1 PSC-02-1735-FOF-EI. This testimony provides estimates of the costs that will
2 be incurred for these programs in the year 2005.

3

4 **Q. What costs do you expect to incur in 2005 in connection with the Substation**
5 **System Investigation, Remediation and Pollution Prevention Program**
6 **(Project #1)?**

7 **A.** For 2005, we estimate Progress Energy will incur total O&M expenditures of
8 \$1,149,748 for the Substation System Investigation, Remediation and Pollution
9 Prevention Program. This amount includes estimated costs for remediation
10 activities at 66 substation sites that have already been identified as requiring
11 remediation.

12

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

15 **A.** The Company will solicit competitive bids for the remediation activities
16 necessary to comply with DEP criteria to ensure the level of expenditures is
17 reasonable and prudent.

18

19 **Q. What costs do you expect to incur in 2005 in connection with the**
20 **Distribution System Investigation, Remediation and Pollution Prevention**
21 **Program (Project #2)?**

22 **A.** For 2005, we estimate total O&M expenditures of \$7,354,748 for the
23 Distribution System Investigation, Remediation and Pollution Prevention

1 Program to perform remediation activities at 784 sites. This estimate assumes
2 114 3-phase transformer sites at an average cost of \$14,000 per site and 670
3 single-phase transformer sites at an average cost of \$8,500 per site. The
4 estimated per site costs are based on actual incurred costs.

5

6 **Q. What steps is the Company taking to ensure that the level of expenditures**
7 **for the Distribution System program are reasonable and prudent?**

8 **A.** The Company frequently reviews invoices for accuracy and proper
9 documentation. In addition, the Company has worked with the remediation
10 contractor to reduce fees for remediation activities and improve process
11 efficiency.

12

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

14 **A.** Yes, it does.