

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

SUPPLEMENTAL DIRECT TESTIMONY OF

JAVIER PORTUONDO

ON BEHALF OF

PROGRESS ENERGY FLORIDA

DOCKET NO. 060007-EI

OCTOBER 27, 2006

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

2 A. My name is Javier Portuondo. My business address is Post Office Box 1551, Raleigh,
3 NC 27601.

4

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

6 A. I am employed by Progress Energy Service Company, LLC as Director of Regulatory
7 Planning.

8

9 **Q. Have you previously filed testimony before this Commission in this docket?**

10 A. Yes, I have

11

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

14 A. Yes.

15

1 **Q. What is the purpose of your supplemental testimony?**

2 A. The purpose of my testimony is to advise the Commission of anticipated increases in the
3 costs of PEF's plan for implementing the Clean Air Regulatory Program originally
4 approved in Order No. PSC-05-0998-PAA-EI. PEF's integrated compliance plan and
5 the analyses that led to its development are explained in the Report entitled "Progress
6 Energy Florida Integrated Clean Air Compliance Plan" ("Clean Air Report") provided as
7 Exhibit DJR-1 to Mr. Roeder's pre-filed testimony.

8

9 **Q. Why does PEF anticipate increased costs for its compliance plan?**

10 A. As the Company moves closer to the implementation of key air pollution projects at
11 Crystal River Units 4 and 5, recent negotiations indicate that costs for these major
12 construction programs may increase by as much as 30 percent. Primary contributors to
13 the cost increases are continued price increases in commodities, equipment and labor.
14 PEF is continuing to negotiate with contractors to secure the lowest costs possible
15 without jeopardizing project schedules necessary to achieve compliance within
16 prescribed deadlines.

17

18 **Q. Does PEF plan to change its compliance plan in light of the anticipated cost**
19 **increases?**

20 A. No. Costs for all of the alternative strategies that PEF analyzed are expected to increase
21 for the same reasons that the costs of PEF's selected strategy are expected to increase.
22 PEF will continue to carefully monitor project costs and adjust its strategy to assure
23 compliance with all applicable regulations in a cost-effective and prudent manner.

1

2 **Q. Will PEF continue to keep the Commission and other parties informed about the**
3 **implementation of the Clean Air Regulatory Program?**

4 A. Yes. PEF will arrange meetings with Staff and any parties to this docket who wish to
5 attend to provide updates on PEF's implementation of the program. These meetings
6 will be arranged to ensure that the other parties will have the opportunity to fully
7 investigate PEF's compliance activities and costs.

8

9 **Q. What effect will the anticipated increased costs have on the 2007 ECRC factors?**

10 A. The anticipated increased costs will have no bearing on the 2007 ECRC factors because
11 projected costs for the Crystal River projects in 2007 are all accruing AFUDC and will
12 not affect customer rates until they are declared commercially in-service.

13

14 **Q. Does this conclude your supplemental testimony?**

15 A. Yes, it does.