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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF

PATRICIA Q. WEST

ON BEHALF OF

PROGRESS ENERGY FLORIDA

DOCKET NO. 070007-EI

AUGUST 3, 2007

Q. Please state your name and business address.

A. My name is Patricia Q. West. My business address is 299 First Avenue North, St. Petersburg, FL 33701.

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

A. I am employed by the Environmental Health and Safety Services Section of Progress Energy Florida ("Progress Energy" or "Company") as Manager of Environmental Services / Energy Supply Florida. In that position I have responsibility to ensure that environmental technical and regulatory support is provided to the implementation of compliance strategies associated with the environmental requirements for power generation facilities in Florida.

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 Program, Aboveground Storage Tank Secondary Containment
10 Program, Underground Storage Tank Program, Phase II Cooling Water Intake
11 Program, the Integrated Air Compliance Program for the Clean Air Interstate
12 Rule (CAIR) and Clean Air Mercury Rule (CAMR), Arsenic Groundwater
13 Standard Project and the Modular Cooling Towers for the period January 2007
14 through December 2007.

15

16 **Q. Please explain the variance between the Estimated/Actual project**
17 **expenditures and the original projections for the Pipeline Integrity**
18 **Management Program for the period January 2007 to December 2007.**

19 **A.** PEF is projecting O&M expenditures to be \$511,427 higher than previously
20 projected due to work that was not completed from the 2006 work plan being
21 carried over into 2007. This work includes general program management and
22 oversight by PEF employees as well as contractors who assist with regulatory
23 review, auditing and procedures management; the installation of guardrails
24 along US 19 to protect valve mechanisms along the road right-of-way; and

1 installation of a pipeline telemetry system that allows remote control of valves
2 designed to isolate sections of the pipeline in the event of a leak, thereby
3 minimizing impact to nearby environmentally sensitive areas.

4
5 PEF is projecting project capital expenditures to be \$19,741 lower than
6 originally projected and they will occur later in the year than previously
7 projected. This variance is primarily attributable to fewer consultant hours
8 being needed than projected and a delay in the Pipeline Control System Upgrade
9 study which was conducted to evaluate means of upgrading the existing control
10 system to new standards, consistent with recommendations from the National
11 Transportation Safety Board and the Federal Department of Transportation.
12 This study had to be completed before the capital project could proceed.

13
14 **Q. Please explain the variance between the Estimated/Actual project**
15 **expenditures and the original projections for the Above Ground Tank**
16 **Secondary Containment Program for the period January 2007 to December**
17 **2007.**

18 **A.** PEF is projecting capital expenditures to be \$536,893 higher for this program
19 than originally projected. This variance is primarily attributable to costs
20 associated with the two Anclote storage tank projects being performed in 2007
21 rather than 2008 as originally planned. This change in schedule is the result of
22 changing work priorities at the plant site. In addition, there was a need to
23 transfer fuel oil from the Suwannee tank to allow required upgrades to be
24 performed.

1 **Q. Please explain the variance between the Estimated/Actual project**
2 **expenditures and the original projections for the Phase II Cooling Water**
3 **Intake Project for the period January 2007 to December 2007.**

4 **A.** PEF is projecting O&M expenditures to be \$931,199 lower than previously
5 projected for this program. The variance is primarily attributable to regulatory
6 matters that will result in ceasing work after the original baseline biological field
7 studies are complete, thereby not completing the Comprehensive Demonstration
8 Studies as originally anticipated. This change in approach is due to EPA's
9 official suspension of the 316(b) Phase II rule in the July 9, 2007 Federal
10 Register.

11

12 **Q. Please explain the variance between the Estimated/Actual project**
13 **expenditures and the original projections for the Clean Air Interstate Rule**
14 **and the Clean Air Mercury Rule for the period January 2007 to December**
15 **2007?**

16 **A.** Capital expenditures for Crystal River are projected to be approximately \$85.3
17 million higher than previously projected for this program for various reasons.
18 First, when the original projections were submitted in 2006 a comprehensive
19 engineering, procurement and construction (EPC) contract was anticipated to be
20 in place by the end of 2006. PEF is still in negotiations with the vendor to
21 finalize the scope of the project and ultimately secure the contract. Due to the
22 further refinement of the project scope, the overall projected costs of the project
23 have increased. Second, because of the competitive nature of the construction
24 industry, we have seen significant escalations in the cost of basic construction

1 materials and in labor costs especially for SCR and scrubber equipment and
2 installations. Lastly, for certain project components with long-lead time, PEF
3 has already contracted with qualified vendors to ensure that required in service
4 dates are met. The Crystal River project has no bearing on the ECRC
5 recoverable balance because it is accruing AFUDC.

6
7 PEF is also projecting capital expenditures for the Combustion Turbine (CT)
8 projects to be \$351,951 higher than previously projected primarily attributable
9 to the acceleration of work from 2008 into the 2007 work plan as well as the
10 carry over of work not being performed in 2006 being completed in 2007.

11
12 The Anclote CAIR project is expected to be lower than the original capital
13 expenditure projection by \$51,103 primarily attributable to work that has shifted
14 to later in the year due to a delay in the completion of studies to analyze
15 emission control technology options.

16

17 **Q. Please explain the variance between the Estimated/Actual project**
18 **expenditures and the original projections for the Arsenic Groundwater**
19 **Standard Project for the period January 2007 to December 2007.**

20 **A.** PEF projects O&M expenditures to be \$69,616 lower for this program than
21 originally projected. PEF continues working with the FDEP to establish an
22 arsenic compliance plan and schedule, in accordance with the FDEP Industrial
23 Waste Water Permit that was issued on January 9, 2007. Some of this work will

1 continue into 2008 as PEF implements the compliance plan that is just now
2 being developed through negotiations with FDEP.

3

4 **Q. Please explain the variance between the Estimated/Actual project**
5 **expenditures and the original projections for the Underground Storage**
6 **Tank Program for the period January 2007 to December 2007.**

7 **A.** PEF is projecting capital expenditures to be \$67,230 lower than originally
8 projected. PEF had a reduction in costs for the original Bartow and Crystal
9 River projects. The reduction is due to an adjustment to subtract removal costs
10 of the original assets that were incorrectly included as part of the asset addition
11 costs.

12

13 **Q. Please explain the variance between the Estimated / Actual project**
14 **expenditure and the original projections for the Modular Cooling Towers**
15 **for the period January 2007 and December 2007.**

16 **A.** PEF is projecting capital expenditures to be \$147,916 higher than originally
17 projected for the Modular Cooling Towers. This variance is attributable to the
18 increased costs associated with the installation of two permanent breakers that
19 are needed to ensure the proper functionality of the cooling towers.

20

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

22 **A.** Yes it does.