

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

SUPPLMENTAL DIRECT TESTIMONY OF

THOMAS CORNELL

ON BEHALF OF

PROGRESS ENERGY FLORIDA

DOCKET NO. 070007-EI

OCTOBER 17, 2007

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1 Q. Please state your name and business address.

2 A. My name is Thomas Cornell. My business address is 410 S. Wilmington Street, Raleigh,
3 North Carolina, 27602.

4
5 Q. By whom are you employed and in what capacity?

6 A. I am employed by Progress Energy Carolinas as General Manager, Project Development
7 and Engineering in the Plant Construction Department.

8
9 Q. Have you previously submitted testimony in this docket?

10 A. Yes, I have.

CMP _____

COM 5 _____

CTR original _____

ECR _____

GCL 1 _____

OPC _____

RCA 1 _____

SCR _____

SGA _____

SEC _____

OTH _____

11 Q. Have your responsibilities change is you previously submitted testimony in this
12 docket?

13 A. No

14 Q. What is the purpose of your supplemental testimony?

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1 A. The purpose of my supplemental testimony is to present the final Engineering
2 Procurement and Construction (“EPC”) contract for the projects being constructed at
3 Crystal River Unit 4 and 5 as part of Progress Energy Florida’s (“PEF’s”) integrated plan
4 for complying with the Clean Air Interstate Rule (“CAIR”), Clean Air Mercury Rule
5 (“CAMR”), Clean Air Visibility Rule (“CAVR”) and related regulatory requirements.
6 At the time I submitted testimony in June of this year, the contract was in the final stages
7 of negotiation. The parties executed the contract on October 2, 2007. My testimony also
8 will describe some changes to the construction schedule for the Crystal River projects.

9

10 **Q. Are you sponsoring any exhibits with your testimony?**

11 I am sponsoring Exhibit No. ___ (TC-9), which is the executed EPC contract with
12 Environmental Projects Crystal River (“EPCR”), which is a joint venture of Zachry
13 Construction Corporation, Utility Engineering Corporation, and Burns & McDonnell,
14 Inc. Because the contract contains confidential proprietary business information, it is
15 being submitted along with a Request for Confidential Classification.

16

17 **Q. How does the final cost of the EPC contract compare to the estimate provided in**
18 **your June 1 direct testimony?**

19 A. The final costs of the EPC contract is approximately \$■■■ million, compared to the \$■■■
20 million estimate provided in my prior testimony. As discussed in my prior testimony,
21 the Company’s negotiations with EPCR included a detailed assessment of project scope
22 to evaluate potential cost reduction opportunities, such as further engineering and scope
23 optimization and removing project components from the scope of the EPC contract. As

1 a result of that effort, certain project components have been removed from the scope of
2 the final EPC contract and may be performed by PEF or other contractors. In addition,
3 other modifications and refinements were made to finalize cost elements of the
4 remaining scope items. Based on analyses performed by Progress Energy personnel and
5 outside engineers and estimators, the total cost elements included in the final ECP
6 contract are reasonable in light of costs being experience for similar projects across the
7 country.

8

9 **Q. Have the total expected costs for PEF's Integrated Clean Air Compliance Plan**
10 **changed?**

11 A: At this time, the Company is continuing to estimate the total construction costs for the
12 CAIR/CAMR/CAVR compliance projects at approximately \$1.26 billion, as indicated in
13 Figure 4 of the Integrated Clean Air Compliance Plan provided as Exhibit No. __ (SSW-
14 1) to Mr. Water's direct testimony. Although the Company expects to achieve some cost
15 savings as a result of the EPC scoping work discussed above, we do not anticipate any
16 material change in the original overall estimate for CAIR/CAMR/CAVR compliance
17 activities.

18

19 **Q. Please explain the schedule changes that you previously referenced?**

20 A: Subsequent to the June 2007 filing with the Commission, the Company renegotiated the
21 completed construction and in-service date for the Crystal River Unit 5 Flue Gas
22 Desulphurization ("FGD") project from Spring of 2009 to the Fall of 2009. The
23 schedule change was a result of discussions raised by EPCR related to the high peak

1 manpower requirements needed to meet the original schedule for Unit 5 FGD project.
2 The Company reviewed the detail schedule and peak manpower requirements with
3 EPCR. Given the tight market conditions for craft labor in the current and foreseeable
4 future – particularly in the Southeastern US – the Company determined that it was best
5 to minimize the risk to the current outage schedule and examine other options to ensure
6 project completion while maintaining generation capacity. The Company reviewed a
7 number of options and determined that an additional outage presented the least overall
8 risk to the Company to ensure available manpower for the project and presented the least
9 risk to resource planning needs for the Company’s customers. This schedule change is
10 not anticipated to have a material impact on the overall cost of the capital project.

11

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

13 A. Yes, it does.

14

15

Exhibit No. __ (TC-9)

Redacted in its entirety