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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF

PATRICIA Q. WEST

ON BEHALF OF

PROGRESS ENERGY FLORIDA

DOCKET NO. 080007-EI

AUGUST 4, 2008

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 / Power Generation Florida.

Q. What are your responsibilities in that position?

A. I am responsible for ensuring 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 the Company’s Environmental Cost Recovery Clause (ECRC)?

1 A. Yes, I have.

2

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

5 A. Yes.

6

7 **Q. What is the purpose of your testimony?**

8 A. The purpose of my testimony is to explain material variances between the
9 Estimated/Actual project expenditures and the original cost projections for
10 environmental compliance costs associated with PEF's Pipeline Integrity
11 Management Program, Aboveground Storage Tank Secondary Containment
12 Program, Phase II Cooling Water Intake Program, Arsenic Groundwater
13 Standard Project, Clean Air Mercury Rule, and the components of Integrated
14 Clean Air Compliance Program associated with the Anclote plant and
15 combustion turbines for the period January 2008 through December 2008. I also
16 will describe a new Greenhouse Gas Inventory and Reporting Program for
17 which PEF is seeking recovery in this docket.

18

19 **Q. Please explain the variance between the Estimated/Actual project**
20 **expenditures and the original projections for the Pipeline Integrity**
21 **Management Program for the period January 2008 to December 2008.**

22 A. PEF is projecting O&M expenditures to be \$146,057 or 43% higher than
23 previously projected, primarily because of an increase in the scope of work and
24 the need to complete some activities in 2008 that were not completed in 2007.

1 This work primarily includes GIS database development, the installation of
2 guardrails along US Highway 19 to protect valve mechanisms along the road
3 right-of-way, installation of a pipeline telemetry system that allows remote
4 monitoring of valves designed to isolate sections of the pipeline in the event of a
5 leak, and leak detection software update.

6

7 PEF is projecting capital expenditures to be \$332,707 or 51% higher for this
8 program than originally projected. These costs will include higher than
9 expected costs for the installation of the Pipeline Controls upgrade project,
10 primarily due to additional scope items that had not been identified in the
11 conceptual design for the project. Final design of the project has now been
12 completed, material costs have been obtained, and bids for the installation work
13 are being evaluated.

14

15 **Q. Please explain the variance between the Estimated/Actual O&M**
16 **expenditures and the original projections for the Above Ground Tank**
17 **Secondary Containment Program for the period January 2008 to December**
18 **2008.**

19 **A.** PEF is projecting O&M expenditures to be \$368,303 higher than originally
20 projected. This variance is due to costs for additional work necessary to bring
21 Turner Tank 8 into compliance with the secondary containment requirements for
22 Rule 62-761.510(3)(d), F.A.C. For Turner Tank 8, PEF originally selected
23 EnviroMat secondary containment technology, which was selected off of the
24 vendor approved list provided by the Florida Department of Environmental

1 Protection (FDEP). Field work to install the secondary containment began in
2 September 2003. Acceptance testing was conducted in November 2003, but the
3 EnviroMat system failed the 2 psi pressure leakage test. PEF terminated the
4 fieldwork after repeatedly requesting the vendor to provide recommended
5 corrective actions, but receiving no satisfactory responses. The vendor
6 subsequently suggested remedial measures, but all attempts to resolve the
7 problem failed. During the first quarter 2008, PEF concluded that all attempts at
8 corrective action have been exhausted and that the technology cannot be
9 corrected. Therefore, the costs associated with the failed technology
10 approximately \$368,303, has been deemed impaired and recorded to O&M.
11 Rule 62-761.510(3), F.A.C., requires installation of secondary containment on
12 Turner Tank 8 by 2010. To achieve compliance, the original technology will be
13 removed and replaced with FDEP approved steel double-bottom technology as
14 part of the 2008 remediation schedule.

15

16 **Q. Please explain the variance between the Estimated/Actual capital**
17 **expenditures and the original projections for the Above Ground Tank**
18 **Secondary Containment Program for the period January 2008 to December**
19 **2008.**

20 **A.** PEF is projecting capital expenditures to be \$1,809,738 or 65% higher for this
21 program than originally projected. This variance is primarily attributable to
22 costs associated with completing the upgrades of two tanks at the Turner
23 combustion turbine facility. The addition of the Turner tanks to the 2008 plan
24 was based on the decision to proceed with final retrofits of Turner tank 8

1 (discussed above) as well as the decision to not retire Turner tank 7 in order to
2 enhance fuel storage and flexibility within the PEF combustion turbine fleet.
3 This work was scheduled in consideration of the DeBary work in order to
4 minimize mobilization costs of contractors since the two plants are in close
5 proximity to each other.

6

7 **Q. Please explain the variance between the Estimated/Actual project**
8 **expenditures and the original projections for the Phase II Cooling Water**
9 **Intake Project for the period January 2008 to December 2008.**

10 **A.** PEF is projecting O&M expenditures to be \$38,128 or 26% lower than
11 previously projected for this program. The variance is primarily attributable to
12 lower than expected costs to complete reports summarizing the results of the
13 completed biological studies. Work has been suspended on the project pending
14 completion of additional rulemaking by the U.S. Environmental Protection
15 Agency (EPA) in response to the Second U.S. Circuit Court of Appeals' vacatur
16 of the Phase II cooling water intake rules in *Riverkeeper, Inc. v. EPA*, 475 F.3d
17 83 (2nd Cir. 2007).

18

19 **Q. Please explain the variance between the Estimated/Actual project**
20 **expenditures and the original projections for the Arsenic Groundwater**
21 **Standard Project for the period January 2008 to December 2008.**

22 **A.** PEF is projecting O&M expenditures to be \$77,669 or 100% lower for this
23 program than originally projected. PEF continues working with the FDEP to
24 establish a compliance plan and schedule to address groundwater matters as well

1 as the management of solid waste / coal combustion product, in accordance with
2 the FDEP Industrial Waste Water Permit that was issued on January 9, 2007 and
3 the Conditions of Site Certification issued on November 29, 2007. Some of this
4 work will continue into 2009 as PEF implements the management plan that must
5 be submitted to the agency by December 31, 2008.

6

7 **Q. Please explain the variance between the Estimated/Actual project**
8 **expenditures and the original projections for the Clean Air Mercury Rule**
9 **for the period January 2008 to December 2008.**

10 **A.** PEF is projecting capital expenditures to be \$1,572,669 or 58% lower for this
11 program than originally projected. As reported in the April 2, 2008 review of the
12 Integrated Clean Air Compliance Plant, on February 8, 2008 the federal CAMR
13 regulations were vacated. This action resulted in the removal of requirements to
14 install emissions monitoring equipment by January 1, 2009. The variance is
15 primarily due to a PEF's actions in response to the court decision. In early 2008
16 PEF continued with ongoing design of the monitors for Crystal River Units 1
17 and 2 because significant work was already begun and CMMS will likely be
18 required in any rule the EPA adopts in the future. PEF is also in negotiations
19 with the provider of the monitoring equipment to avoid or minimize cost
20 implications for equipment ordered prior to the rule vacatur.

21

22 **Q. Please explain the variance between the Estimated/Actual project**
23 **expenditures and the original projections for the components of PEF's**
24 **Integrated Clean Air Compliance Plan related to the Combustion Turbine**

1 **(CT) facilities and the Anclote plant for the period January 2008 to**
2 **December 2008?**

3 **A.** PEF is projecting capital expenditures for the Combustion Turbine (CT) projects
4 to be \$100,266 or 100% higher than projected primarily attributable to the need
5 to complete certification testing of several emissions units early in 2008. The
6 work was originally expected to be completed in late 2007, but extended into
7 early 2008 due to unexpected outages during the time original testing was
8 supposed to have commenced. The O&M costs for this project are expected to
9 be \$48,500 less than originally projected due to software support rates not being
10 incurred during 2008.

11
12 PEF is projecting capital expenditures for the Anclote clean air compliance
13 project to be lower than the original capital expenditure projection by \$299,993
14 primarily attributable to the status of PEF's overall air compliance plan strategy
15 assessment. Preliminary assessments for appropriate control technology will be
16 undertaken during the latter part of 2008, with work expected to begin in early
17 2009.

18

19 **Q. Have there been any recent developments concerning CAIR?**

20 **A.** Yes. On July 11, 2008, the U.S. Circuit Court of Appeals for the District of
21 Columbia issued a decision vacating CAIR in its entirety. The Court also
22 remanded the rule back to the EPA to address the flaws identified by the Court.
23 At this date, the decision is not final because Court has not issued a mandate.
24 The Petitioners and EPA have 45 days, or until August 25, 2008, to petition for

1 rehearing of the Court's decision. The Court will then issue its mandate unless a
2 petition for rehearing is granted. The Petitioners and EPA also can seek review
3 by the U.S. Supreme Court within 90 days after the later of the Court's decision
4 or completion of proceedings on a petition for rehearing.

5
6 At this time it is too early to determine the full impact of the Court's decision,
7 even assuming it stands as originally issued. PEF is continuing to implement its
8 Commission-approved Integrated Clean Air Compliance Plan as the Company
9 assesses the potential implications of the Court's decision. We are working with
10 state and federal agencies, as well as conducting internal analyses, to determine
11 the appropriate course of action once the D.C. Circuit's decision becomes final
12 and its full implications are known. We will update the Commission on the
13 status of the CAIR decision and PEF's implementation of its clean air
14 compliance plan in future testimony.

15
16 **Q. Is PEF requesting recovery of 2008 costs for any new environmental**
17 **programs?**

18 **A.** Yes. PEF is requesting recovery of costs associated with a new Greenhouse Gas
19 (GHG) Inventory and Reporting Program that is being implemented in response
20 to Chapter 2008-277, Florida Laws, which established the Florida Climate
21 Protection Act, to be codified at section 403.44, Florida Statutes. Among other
22 things, this new legislation authorizes FDEP to establish a cap and trade
23 program to GHG emissions from electric utilities. Utilities subject to the
24 program, including PEF, will be required to use The Climate Registry for

1 purposes of GHG emission registration and reporting. Activities to be
2 conducted in 2008 include training and inventory development. Project
3 expenditures are projected to be \$7,440 for the remainder of 2008.
4

5 **Q. Do the costs for the new program qualify for recovery through the ECRC?**

6 **A.** Yes. Chapter 2008-277, Florida Laws, establishes a new subsection
7 366.8255(1)(d)8, Florida Statutes, which provides for ECRC recovery of
8 “[c]osts or expenses prudently incurred for the quantification, reporting, and
9 third-party verification as required for participation in greenhouse gas emission
10 registries for greenhouse gases as defined in s. 403.44.” In addition, costs for
11 the new program meet the requirements for ECRC recovery previously
12 established by the Commission. Specifically, the expenditures are being
13 prudently incurred after April 13, 1993; the activities are legally required to
14 comply with a governmentally imposed environmental requirement which was
15 created, or whose effect was triggered, after the minimum filing requirements
16 (MFRs) were submitted in PEF’s last rate case (Docket No. 050078-EI); and
17 none of the costs of the new program are being recovered through base rates or
18 any other cost recovery mechanism.
19

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

21 **A.** Yes it does.