

1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2 DIRECT TESTIMONY OF

3 **DALE WILTERDINK**

4 ON BEHALF OF

5 PROGRESS ENERGY FLORIDA

6 DOCKET NO. 090007-EI

7 April 1, 2009

8
9 **Q. Please state your name and business address.**

10 A. My name is Dale W. Wilterdink. My business address is 15760 West Power Line Street,
11 Crystal River, Florida 34428.

12
13 **Q. By whom are you employed and in what capacity?**

14 A. I am employed by Progress Energy Florida (“PEF”) as Manager of Plant Construction
15 Projects.

16
17 **Q. What are your responsibilities as Manager of Plant Construction Projects?**

18 A. I serve as Project Manager for the Crystal River Units 4 and 5 air quality control system
19 project (“Crystal River Project”) included in PEF’s Integrated Clean Air Compliance
20 Plan, which the Commission approved in Docket No. 070007-EI. As Project Manager, I
21 have primary overall responsibility and accountability for the Crystal River Project. I
22 provide direct management of all aspects of the project, including the installation of Flue
23 Gas Desulfurization (“FGD” or “scrubber”), Low NOx Burners (LNBs), Selective
24 Catalytic Reduction (“SCR”) and other related activities, such as installation of a new

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1 stack, common limestone preparation/dewatering system, coal pile liners, ponding, and
2 the water supply system. I also work with members of my project team to ensure that
3 key stakeholders throughout the Company, including senior management, remain
4 informed about the status of the Crystal River Project.

5
6 **Q. Please describe your educational background and professional experience.**

7 A. I received a B.S. degree in Chemistry and a Masters in Business Administration from
8 Grand Valley State University. I have over twenty six years experience in the power
9 industry, including direct project management for large, multi-unit air pollution control
10 projects. Prior to joining Progress Energy, I worked air quality control system projects
11 for URS Corporation, Advatech (a joint venture between URS and Mitsubishi Heavy
12 Industries), Marsulex (formerly General Electric Environmental Services), and Grand
13 Haven Board of Light and Power.

14
15 **Q. Are you sponsoring any exhibits with your testimony?**

16 A. Yes. I am sponsoring Exhibit No. __ (DW-1), which is an organization chart showing
17 the organizational structure the Company has established for management and oversight
18 of internal company personnel and contractors involved in the Crystal River Project.

19
20 **Q. What is the purpose of your testimony?**

21 A. The purpose of my testimony is to summarize the status of PEF's implementation of the
22 Crystal River Project, including the variance between actual 2008 Project expenditures
23 and the Estimated/Actual projection submitted in Docket No. 080007-EI. I also will

1 describe some of the measures PEF has taken to ensure that the costs incurred for the
2 Crystal River Project are reasonable and prudent.

3

4 **Q. What is the current status of the Crystal River Project?**

5 A. The Crystal River Project is on schedule to meet the in-service dates set forth in the
6 Integrated Clean Air Compliance Plan approved by the Commission in Docket No.
7 070007-EI. Over the past year, we have achieved several significant project milestones
8 including:

- 9 • Completion of the access road in April, 2008;
- 10 • Completion of the vehicle barrier system in May, 2008;
- 11 • Completion of the flue gas chimney shell in May, 2008;
- 12 • Completion of the Unit 5 FGD absorber tower in September, 2008; and
- 13 • Completion of Unit 4 LNB/AH in December, 2008

14 As discussed in the annual review of PEF's compliance plan sponsored by PEF witness
15 Patricia Q. West, there are uncertainties associated with all major construction projects
16 including the Crystal River Project. At this time, however, the Crystal River Project is
17 on-schedule to achieve the in-service dates set forth in PEF's Commission-approved
18 Integrated Clean Air Compliance Plan.

19

20 **Q. How do the actual project expenditures for the Crystal River Project compare with**
21 **PEF's estimated/actual projections for the period January 2008 to December 2008?**

22 A. The actual total expenditures for the Crystal River Projects in 2008 were \$524,059,008
23 million, which is \$3,368,402 million (1%) less than projected in PEF's Estimated/Actual
24 projection. The difference is attributable to the unused portion of the project's

1 contingency that is used to manage acknowledged risks that are likely to occur during
2 the project. Risks projected to occur during 2008 did not materialize, but may still occur
3 during the remainder of the project.

4
5 **Q. Please describe the management structure being used to oversee implementation of**
6 **the Crystal River Project?**

7 A. PEF has established an organizational structure to ensure prudent decision-making and
8 project oversight as implementation of the Integrated Clean Air Compliance Plan
9 proceeds. The specific team for the Crystal River Project is as shown in Exhibit No. ___
10 (DW-1). The Company has assigned me to be the dedicated Project Manager with
11 primary overall responsibility and accountability for the Crystal River Project. I oversee
12 all of the internal team members as well as all of the external contractors working on the
13 project. My project management team, which also includes a dedicated Project Engineer
14 and Project Controls personnel, regularly works with Company personnel from other
15 departments, including Environmental Services, Corporate Services, Fossil Generation,
16 Legal, Regulatory Planning, and Health and Services as needed. The Company also has
17 appointed the Project Assurance Department to support and advise the project
18 management team.

19
20 To promote efficient integration of the new equipment with current operations, the
21 Company also has established a Plant Integration Team (PIT) that will be involved
22 through the startup and commissioning process. The PIT was established early in the
23 life of the Project to allow for plant operational input into the technical and functional
24 requirements incorporated in the Project design, the operational design features, the

1 anticipated operation of the new systems and the performance guarantees. During the
2 construction phase, the PIT provides interface between me and plant operations and has
3 the primary responsibility for developing operational maintenance procedures for the
4 new equipment. The PIT also will participate in startup integration for commercial
5 operation.

6
7 **Q. Has the Company implemented policies and procedures to ensure proper**
8 **management of the Crystal River Project and to control project costs?**

9 A. Yes. The project is being implemented in accordance with the Generation and
10 Transmission Construction Department's policies and procedures, which prescribe
11 specific requirements for project management, quality assurance/quality control
12 (QA/QC), schedule management, cost accounting and reporting, and other aspects of the
13 project implementation. These policies and procedures reflect the collective experience
14 and knowledge of the Company. They have been tested on other capital projects of this
15 nature and reflect lessons learned from those projects. They also are consistent with best
16 practices for capital project management in the industry.

17

18 **Q. Are employees involved in the Crystal River Project trained in the Company's**
19 **project management and cost control policies and procedures?**

20 A. Yes, they are. The project management team for the Crystal River Project has been
21 trained in these policies and procedures.

22

23 **Q. Does the Company verify that the project management and cost control policies**
24 **and procedures are followed?**

1 A. Yes, it does. PEF uses internal audits to verify that its program management and
2 oversight control are in place and being implemented.

3

4 **Q. Has the Company implemented other mechanisms to ensure proper oversight and**
5 **review of the Crystal River Project?**

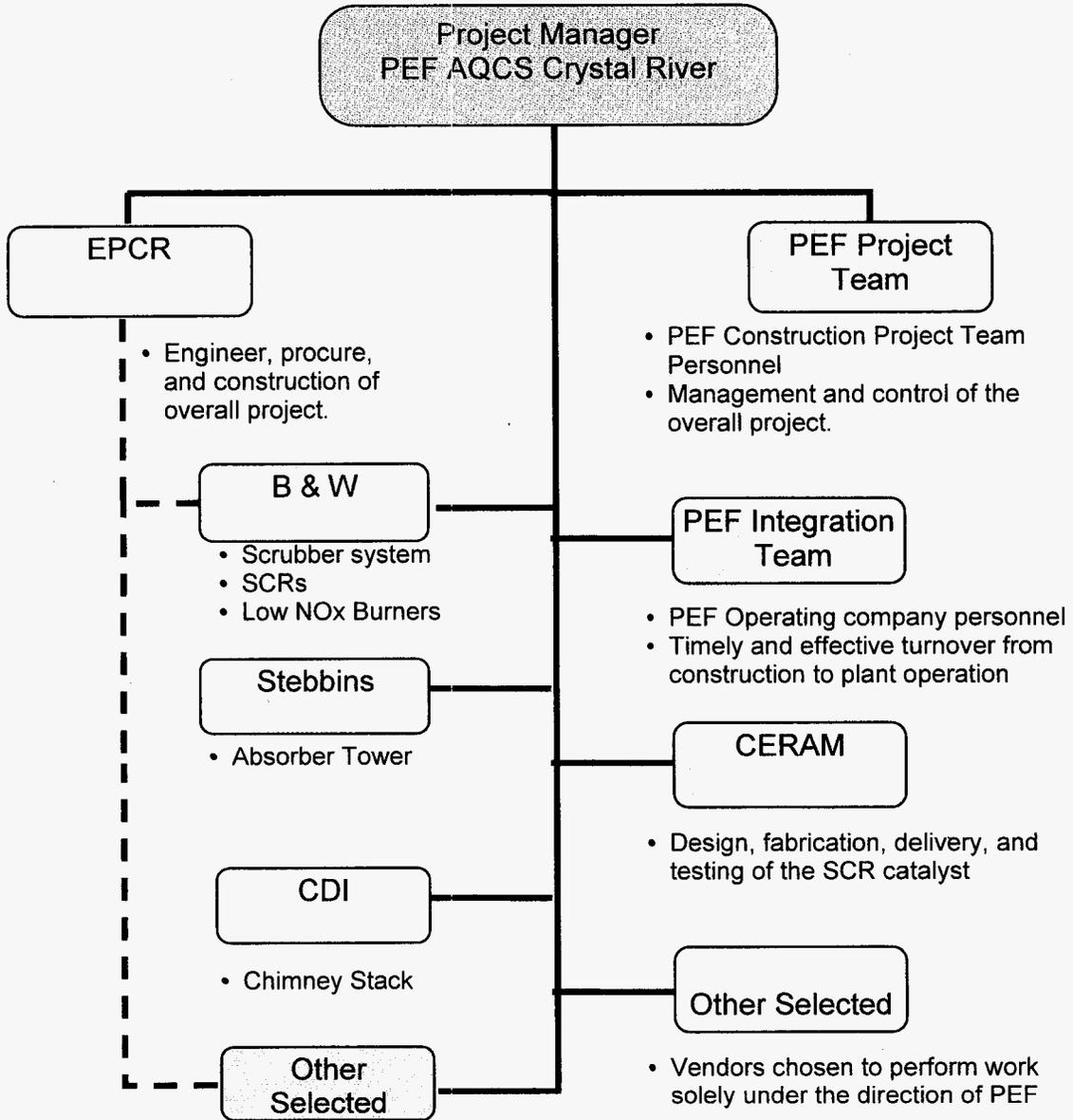
6 A. Yes. We have implemented several mechanisms to ensure proper oversight and review
7 of the Crystal River Project. My project management team and I work closely with the
8 Project Assurance Department to identify key project decisions and milestones to ensure
9 that adequate documentation is prepared and maintained. Among other things, the
10 project management team regularly prepares Project Cost Reports to track project
11 expenditures against the detailed project scopes to ensure that PEF receives what it
12 contracted for and that any scope changes are properly evaluated and documented.

13

14 We also conduct a wide variety of meetings to maintain supervision of the project and to
15 ensure that Company management remains fully informed. We conduct regularly
16 scheduled, monthly meetings with the EPC contractor (EPCR) and primary FGD and
17 SCR design and procurement contractor (B&W) to review construction progress and the
18 remaining scope of work. Following those meetings, we hold regular monthly meetings
19 with executive management to review the status of the project and its costs, as well as
20 the administration of the various contracts. Executives from EPCR and B&W
21 participate in these meetings to ensure that management expectations are communicated
22 to the outside vendors as well as the project team.

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

24 A. Yes, it does.



- Vendors chosen to perform work under contract with PEF by whose day to day activities are coordinated through EPCR.