

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**In re: Nuclear Cost Recovery
Clause**

DOCKET NO. 090009-EI
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**DIRECT TESTIMONY
OF GARY FURMAN IN SUPPORT OF
ACTUAL/ESTIMATED AND PROJECTED COSTS

ON BEHALF OF
PROGRESS ENERGY FLORIDA**

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IN RE: NUCLEAR COST RECOVERY CLAUSE

BY PROGRESS ENERGY FLORIDA

FPSC DOCKET NO. 090009-EI

DIRECT TESTIMONY OF GARY FURMAN

I. INTRODUCTION AND QUALIFICATIONS

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Q. Please state your name and business address.

A. My name is Gary Furman. My business address is 3300 Exchange Place,
Lake Mary, FL 32746.

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

A. I am employed by Progress Energy Florida, Inc. ("PEF" or the
"Company") and my title is Manager, Major Projects in the Generation &
Transmission Construction Department. In this role, I am responsible for
leading a cross-functional, multi-disciplinary team in the development and
execution of the transmission line projects associated with the Levy
Nuclear Plant.

Q. Please summarize your educational background and work experience.

A. I have a Bachelor's degree in Mechanical Engineering from the University
of Florida and a MBA from the University of Tampa. I am a licensed
Professional Engineer in the State of Florida. I have worked in the electric

1 utility industry for over 25 years, the last 14 of which have been directly
2 related to electrical transmission line and substation siting and
3 engineering. Prior to assuming my current role, I was the Manager of
4 Line Engineering and Real Estate in the Transmission Operations and
5 Planning Department at Progress Energy Florida. In this role, I was
6 responsible for engineering new transmission lines and the acquisition of
7 new transmission line right of way. Prior to that role, I was the Manager
8 of Substation Engineering in the Transmission Operations and Planning
9 Department at Progress Energy. In this role, I was responsible for
10 engineering new substation facilities and the expansion of existing
11 substation facilities.

12 Prior to joining PEF in March 2003, I was employed by Tampa
13 Electric Company where I held a number of management and engineering
14 positions in the transmission, distribution, environmental and generation
15 departments.

16 17 **II. PURPOSE AND SUMMARY OF TESTIMONY**

18
19 **Q. What is the purpose of your direct testimony?**

20 **A.** The purpose of my direct testimony is to support the Company's request
21 for cost recovery pursuant to the nuclear cost recovery rule for certain
22 costs incurred in 2009 for transmission work in support of the Levy
23 Nuclear Project ("LNP"). My testimony will also support the Company's

1 actual/estimated costs for the remainder of 2009 and the projected costs
2 for 2010.

3
4 **Q. Have you previously filed testimony in this docket?**

5 **A.** Yes, I filed testimony on March 2, 2009 in support of the actual costs
6 incurred through December 2008 for the transmission work necessitated
7 by the LNP.

8
9 **Q. Do you have any exhibits to your testimony?**

10 **A.** No, I am not sponsoring any exhibits. I am, however, sponsoring portions
11 of the schedules attached to Mr. Foster's testimony. Specifically, I am
12 sponsoring the cost portions, related to transmission, of Schedule AE-6,
13 AE-6A, AE-6B, AE-8 and AE-8A of the Nuclear Filing Requirements
14 ("NFRs"), which are included as part of Exhibit No. ____ (TGF-1) to Mr.
15 Foster's testimony. Schedule AE-8 is a list of the contracts executed in
16 excess of \$1.0 million that have been executed to date. Schedule AE-8A
17 reflects details pertaining to the contracts executed in excess of \$1.0
18 million.

19 I am also sponsoring the transmission cost portions of Schedule
20 P-6, P-6A, P-8, and P-8A, part of Exhibit No. ____ (TGF-2), which provide
21 similar details for contracts as the AE schedules.

22 These portions of the schedules are true and accurate.

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Q. Please summarize your testimony.

A. From January to March 2009, PEF has incurred reasonable and prudent costs to complete the selection of the proposed routes that will be used for the planned transmission lines for the LNP. Community outreach activities for transmission projects were completed in the first quarter of 2009. Also, certain substation properties were acquired and other right-of-way (“ROW”) activities supporting the land acquisition process were performed. Work was also performed related to the development and submittal of several regulatory filings. During 2009, surveying and engineering design work will continue on the proposed lines and substation facilities. Also, certain substation construction activities will be started in 2009. In 2010, principal projected costs include costs associated with the acquisition of transmission line ROWs, surveying, engineering design, and community relations and outreach.

PEF has provided reasonable projections for costs that will be incurred during the remainder of 2009 and all of 2010. These projected costs were developed using the best available information to the Company at this time. Thus, the Commission should approve PEF’s projections as reasonable.

Q. Has the scope of these activities changed since you last filed testimony in this Docket?

1 A. Yes, as explained in Mr. Garry Miller's testimony, based on the U.S.
2 Nuclear Regulatory Commission's ("NRC") treatment of certain work
3 prior to the issuance of the Levy construction and operating license
4 ("COL"), PEF now expects a schedule shift in the commercial operation
5 dates of the LNP. Although the overall schedule impact is not certain at
6 this time, PEF expects the schedule to shift at least 20 months.
7 Accordingly, PEF is reviewing the overall program schedule for the
8 transmission facilities and any potential impact on the transmission
9 portion of the project due to the schedule shift.

10
11 **Q. Have you determined what impact, if any, this schedule shift may**
12 **have on the transmission project schedule?**

13 A. PEF has undertaken a preliminary review of the potential impact of a
14 schedule shift on the transmission portion of the LNP. Our initial review
15 indicates that most construction work, excluding ROW acquisition, will be
16 deferred to accommodate a total LNP schedule shift of at least 20 months.

17
18 **Q. What impact, if any, will the schedule shift have on PEF's 2009 and**
19 **2010 transmission costs?**

20 A. The schedule shift will result in a significant decrease in the amount of
21 engineering and construction costs for the project in 2009 and 2010
22 primarily related to transmission line and substation field engineering and
23 construction labor, material and equipment costs. The actual/estimated

1 and projected figures for both 2009 and 2010, explained in more detail
2 below, reflect these reductions in costs. Although we will be decreasing
3 our LNP transmission engineering and construction spending in 2009 and
4 2010, we plan to continue certain ROW acquisition and engineering
5 activities for the project, which we believe is a reasonable and prudent
6 course of action at this time.

7
8 **III. TRANSMISSION PRE-CONSTRUCTION ACTIVITIES**

9 **Q. What pre-construction activities are you undertaking in 2009?**

10 **A.** The principal pre-construction activities to be performed in 2009 include
11 engineering work to develop the designs for clearing, grading, foundations
12 and structures for the proposed transmission lines and engineering
13 activities to develop the detailed designs for the substations, including
14 protection and control (relay) equipment that will support the Levy Units.
15 Activities for route selection, including engineering support of qualitative
16 and quantitative route analysis, field work required to support routing
17 from an engineering perspective, and studies to identify constructible and
18 permissible transmission line routes within PEF's proposed corridors, will
19 also be performed in 2009.

20 Other key activities to be completed in 2009 include support of
21 community outreach/open house sessions in the project area and other
22 activities to perform project management, project scheduling and cost
23 estimating, external community relations activities, development of

1 contracting strategies, legal services, and general activities required to
2 manage the overall transmission work necessitated by the LNP.

3
4 **Q What pre-construction activities do you expect to undertake in 2010?**

5 **A.** In 2010, PEF expects to perform principal activities related to continuing
6 transmission line and substation engineering to support development of
7 the designs for clearing, grading, foundations and structures for the
8 proposed transmission lines and for the substations, including protection
9 and control (relay) equipment, that will support the Levy Units. Other key
10 activities such as project management, project scheduling and cost
11 estimating, external community relations activities, development of
12 contracting strategies, legal services, and general activities required to
13 manage the overall transmission work necessitated by the LNP are
14 expected to continue in 2010.

15
16 **Q. What costs has PEF included in this filing for transmission pre-
17 construction costs?**

18 **A.** PEF has filed actual/estimated 2009 and projected 2010 pre-construction
19 costs for transmission for the LNP. Schedule AE-6 of Exhibit No. ____
20 (TGF-1) shows transmission pre-construction costs for 2009
21 actual/estimated in the following categories: Line Engineering \$6.1
22 million; Substation Engineering \$5.2 million; Clearing \$0.009 million; and
23 Other \$4.7 million. Schedule P-6 of Exhibit No. ____ (TGF-2) breaks

1 down the 2010 projected transmission pre-construction costs into the
2 following categories: Line Engineering \$6.5 million; Substation
3 Engineering \$6.0 million; Clearing \$0.006 million; and Other \$10.9
4 million.

5
6 **Q. Please describe what the projected pre-construction Line Engineering**
7 **costs are and explain why the Company has to incur them.**

8 **A.** These costs include engineering work to develop the designs for clearing,
9 grading, foundations and structures for the proposed transmission lines
10 that will support the Levy Units. These costs also include engineering
11 work for route selection including engineering support of qualitative and
12 quantitative route analysis, field work required to support routing from an
13 engineering perspective, and associated costs for studies to identify
14 constructible and permittable transmission line routes within the Owner's
15 proposed corridors.

16 These pre-construction Line Engineering costs are necessary for
17 the LNP transmission project work with the expected schedule shift of at
18 least 20 months. Because transmission facilities must be designed,
19 constructed, and operational in time for the expected commercial in-
20 service of the LNP, we have preliminarily identified what work must be
21 done to ensure the transmission facilities will be ready with this schedule
22 shift. The pre-construction Line Engineering costs included for 2009 and
23 2010 in this filing reasonably reflect that preliminary assessment.

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Q. Please describe what the pre-construction Substation Engineering costs are and explain why the Company has to incur them.

A. These costs include the engineering work to develop the detailed designs for the substations, including protection and control (relay) equipment, required to support the Levy units. These pre-construction Substation Engineering costs are necessary for the LNP transmission project work with the expected schedule shift of at least 20 months. Because transmission facilities must be designed, constructed, and operational in time for the expected commercial in-service of the LNP, we have preliminarily identified what work must be done to ensure the transmission facilities will be ready with this schedule shift. The pre-construction Substation Engineering costs included for 2009 and 2010 in this filing reasonably reflect that preliminary assessment.

Q. Please describe what the Other category of pre-construction costs include and explain why the Company needs to incur them.

A. For 2009, these costs include activities associated with community outreach, such as open houses, and costs associated with the proposed route selection for the planned transmission lines. In January and February of 2009, Progress Energy held six (6) open house sessions in the project area. These sessions were held in order to gather input from the local communities and to share the plans and schedules for the Levy

1 transmission program. Also included in these costs for 2009 and 2010 are
2 project management, project scheduling and cost estimating support,
3 external community relations support, development of contracting
4 strategies, legal services, related overhead, contingency and general
5 activity costs associated with planning and siting the transmission projects
6 for the LNP. All of these other pre-construction costs are necessary to
7 support the LNP transmission work even with the expected schedule shift.
8

9 **Q. Please describe how the transmission pre-construction cost estimates**
10 **were prepared.**

11 **A.** PEF developed the Line Engineering, Substation Engineering and Other
12 pre-construction cost estimates on a reasonable engineering basis, using
13 the best available engineering and utility market information at the time,
14 consistent with utility industry and PEF practice. These cost estimates
15 used preliminary transmission project plans and project schedules to
16 determine what transmission pre-construction work will be done and when
17 it will be done to ensure that the transmission facilities will be ready and
18 necessary project milestones are met even with the LNP schedule shift.
19

20 **IV. TRANSMISSION CONSTRUCTION ACTIVITIES**

21 **Q. What costs has PEF included in this filing for transmission**
22 **construction costs?**

1 A. PEF has actual/estimated 2009 and projected 2010 Construction costs for
2 transmission for the LNP. Schedule AE-6 of Exhibit No. ____ (TGF-1)
3 shows transmission construction costs for 2009 actual/estimated in the
4 following categories: Real Estate Acquisition \$23.0 million; Substation
5 Construction \$1.6 million; and Other \$0.005 million. Schedule P-6 of
6 Exhibit No. ____ (TGF-2) breaks down the 2010 projected transmission
7 construction costs into the following categories: Substation Engineering
8 \$0.01 million; Real Estate Acquisition \$54.0 million; Substation
9 Construction \$0.3 million; and Other \$0.08 million.

10
11 **Q. Please describe what the Substation Engineering and Substation**
12 **Construction costs are and explain why the Company needs to incur**
13 **them.**

14 A. The company is projecting minimal expenditures for these engineering
15 and construction costs in 2009 and 2010. Such costs include construction
16 for certain substation facilities and related field engineering support for the
17 planned substation and protection and control (relay) work required for the
18 addition of the Levy units. These costs are necessary to ensure that the
19 transmission substations required to support the Levy Units on PEF's
20 transmission system are installed and ready for service even with the LNP
21 schedule shift.

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Q. Please describe the Real Estate Acquisition costs and explain why the Company needs to incur them.

A. These costs include the estimated land and ROW acquisition costs necessary for the transmission facilities to support the addition of the Levy Units to PEF's system. These costs include the siting, survey, appraisal, title commitments, legal costs, ordinance review, and actual purchase costs for the land and easements necessary for the transmission facilities for the LNP. These costs are necessary to ensure that the ROW and other land upon which the transmission facilities will be located are available for the LNP.

Q. Please describe what the Other costs are and explain why the Company needs to incur them.

A. These costs include the program management and related overhead, indirects, contingency, escalation and general activity costs associated with siting, designing and constructing the transmission projects for the LNP. Such costs include project management, project scheduling and cost estimating support, external community relations support, contract management and legal services. These construction costs are necessary for the LNP transmission project work with the expected schedule shift of at least 20 months. Because all transmission facilities must be designed, constructed, and operational in time for the expected commercial in-service of the LNP, we have preliminarily identified what work must be

1 done to ensure the transmission facilities will be ready with this schedule
2 shift. The construction costs included for 2009 and 2010 in this filing
3 reasonably reflect that preliminary assessment.
4

5 **Q. Please describe briefly how the transmission construction cost**
6 **estimates were prepared.**

7 **A.** PEF developed these Substation Engineering, Substation Construction,
8 Real Estate Acquisition, and Other transmission construction cost
9 estimates on a reasonable engineering basis, using the best available
10 construction and utility market information at the time, consistent with
11 utility industry and PEF practice. These estimates reasonably reflect the
12 necessary LNP transmission project work with the expected schedule shift
13 of at least 20 months. Because transmission facilities must be designed,
14 constructed, and operational in time for the expected commercial in-
15 service of the LNP, we have preliminarily identified what work must be
16 done to ensure the transmission facilities will be ready and necessary
17 project milestones met with this schedule shift. The construction costs
18 included for 2009 and 2010 in this filing reasonably reflect that
19 preliminary assessment.
20

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

22 **A.** Yes, it does.
23