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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION  
DIRECT TESTIMONY OF  
PATRICIA Q. WEST  
ON BEHALF OF  
PROGRESS ENERGY FLORIDA  
DOCKET NO. 090007-EI  
AUGUST 3, 2009

**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.

1 **Q. Have you previously filed testimony before this Commission in connection**  
2 **with Progress Energy Florida's Environmental Cost Recovery Clause**  
3 **(ECRC)?**

4 A. Yes, I have.

5

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

8 A. Yes.

9

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

11 A. The purpose of my testimony is to explain material variances between the  
12 Estimated/Actual project expenditures and the original cost projections for  
13 environmental compliance costs associated with PEF's, Aboveground Storage  
14 Tank Secondary Containment Program, Arsenic Groundwater Standard Project,  
15 the Integrated Clean Air Compliance Program, Thermal Discharge Permanent  
16 Cooling Tower, and the Greenhouse Gas Inventory and Reporting Program, for  
17 the period January 2009 through December 2009. I also will describe a new  
18 Total Maximum Daily Loads for Mercury Program for which PEF is seeking  
19 recovery in this docket.

20

21 **Q. What current PSC-approved projects are you responsible for?**

22 A. I am responsible for Pipeline Integrity Management (Project No. 3);  
23 Aboveground Storage Tank Secondary Containment (Project No. 4), Phase II  
24 Cooling Water Intake (Project No. 6), CAIR/CAMR Peaking - Demand (Project

1 No. 7.2), CAIR/CAMR Crystal River (Project No. 7.4), Arsenic Groundwater  
2 Standard (Project No. 8), Underground Storage Tanks (Project 10), Modular  
3 Cooling Towers (Project No. 11), Thermal Discharge Permanent Cooling Tower  
4 (Project No. 11.1), Greenhouse Gas Inventory and Reporting (Project No. 12),  
5 and the Mercury Total Daily Maximum Loads Monitoring (Project No. 13).

6  
7 **Q. Please explain the variance between the Estimated/Actual capital**  
8 **expenditures and the original projections for the Above Ground Tank**  
9 **Secondary Containment Program (Project No. 4) for the period January**  
10 **2009 to December 2009.**

11 A. PEF is projecting capital expenditures to be \$872,377 or 65% higher for this  
12 program than originally projected. This variance is mainly attributable to the  
13 decision to upgrade Turner Tank 7 rather than retire it and expenses that were  
14 delayed from 2008 to 2009 due to Tropical Storm Fay and the subsequent  
15 flooding that followed.

16  
17 **Q. Please explain the variance between the Estimated/Actual project**  
18 **expenditures and the original projections for the CAIR/CAMR Crystal**  
19 **River (Project No. 7.4) for the period January 2009 to December 2009.**

20 A. PEF is projecting O&M expenditures to be \$532,581 or 13% lower for this  
21 program than originally projected. This variance is attributable to an outage  
22 scheduling adjustment from May 2009 to June 2009 of the Crystal River  
23 Selective Catalytic Reduction (SCR) (7.4c) project, and Crystal River Urea to  
24 Ammonia System (project 7.4d) resulting in lower than projected ammonia

1 consumption. Also, contributing to the variance is the decrease in the expected  
2 monthly cost of ammonia and limestone from the original 2009 projection.

3

4 **Q. Please explain the variance between the Estimated/Actual project**  
5 **expenditures and the original projections for the Arsenic Groundwater**  
6 **Standard (Project No. 8) for the period January 2009 to December 2009.**

7 A. PEF is projecting O&M expenditures to be \$77,669 or 100% lower for this  
8 program than originally projected. PEF continues working with the FDEP to  
9 address potential groundwater arsenic issues and to develop a compliance plan.

10

11 **Q. Please explain the variance between the Estimated / Actual project**  
12 **expenditures and the original projections for the Thermal Discharge**  
13 **Permanent Cooling Tower (Project 11.1) for the period January 2009 and**  
14 **December 2009.**

15 A. PEF is projecting capital expenditures to be \$2,440,619 or 21% lower for this  
16 project in 2009 than originally forecast. This variance is mainly attributable to  
17 the refinement of project costs reflecting design changes due to anticipated  
18 scope reductions and associated procurement requirements.

19

20 **Q. Please explain the variance between the Estimated / Actual project**  
21 **expenditures and the original projections for the Green House Gas**  
22 **Inventory and Reporting (Project 12) for the period January 2009 and**  
23 **December 2009.**

1 A. PEF is projecting O&M expenditures to be \$42,680 or 75% lower for this  
2 program than originally projected. This variance is the result of preparing the  
3 inventory report with internal resources rather than external consultants during  
4 the first two quarters of the year. A third party consultant will be hired for  
5 verification of the report, as required by the Climate Registry, and those are the  
6 expenses now projected for 2009.

7  
8 **Q. Is PEF requesting recovery of 2009 costs for any new environmental**  
9 **programs?**

10 A. Yes. On March 4, 2009 PEF filed a petition requesting recovery of costs  
11 associated with a new study of Total Daily Maximum Loads (TDML) for  
12 mercury in State waters and rules regulating mercury emissions from various  
13 sources including, potentially, coal-fired power plants.

14  
15 **Q. Why is the Company implementing this new program?**

16 A. Section 303(d) of the federal Clean Water Act requires each state to identify  
17 state waters not meeting water quality standards and establish a TMDL for the  
18 pollutant or pollutants causing the failure to meet standards. Under a 1999  
19 federal consent decree, TMDLs for over 100 Florida water bodies listed as  
20 impaired for mercury must be established by September 12, 2012. DEP has  
21 initiated a research program to provide the necessary information for setting the  
22 appropriate TMDLs for mercury. Among other things, the study will assess the  
23 relative contributions of mercury-emitting sources, such as coal-fired power  
24 plants, to mercury levels in surface waters. In turn, DEP could seek to use this

1 information to attempt to impose new regulatory requirements on mercury-  
2 emitting sources, such as coal-fired power plants. Additionally, in a separate  
3 effort, DEP's Division of Air Resources Management is in the process of  
4 developing rules to regulate mercury emissions from various sources, which  
5 may include coal-fired power plants.

6

7 DEP has invited stakeholders to participate in the design and completion of the  
8 mercury TMDL study. PEF believes it is prudent to participate in the TMDL  
9 study and in the parallel air rulemaking effort to ensure that the relative  
10 contributions of mercury-emitting sources, such as power plants, are  
11 appropriately analyzed so that future environmental compliance costs are  
12 minimized. Accordingly, PEF is participating in the mercury TMDL study and  
13 air rulemaking proceedings through its membership in the Florida Electric  
14 Power Coordinating Group's Environmental Committee (FCG). To ensure that  
15 the ongoing regulatory efforts are based on good science, the FCG is contracting  
16 with various consultants to participate in the monitoring and modeling of  
17 mercury emissions and their fate in the environment.

18

19 **Q. Has the Company projected the costs it will incur for the new program?**

20 Yes. PEF estimates the total project costs to be approximately \$92,000 for the  
21 remainder of 2009, approximately \$36,000 for 2010 and approximately \$38,000  
22 for 2011.

23

24

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

2 A. Yes. Costs for the new program meet the requirements for ECRC recovery  
3 previously established by the Commission. Specifically, the expenditures are  
4 being prudently incurred after April 13, 1993; the activities are legally required  
5 to comply with a governmentally imposed environmental requirement which  
6 was created, or whose effect was triggered, after the minimum filing  
7 requirements (MFRs) were submitted in PEF's last rate case (Docket No.  
8 050078-EI); and none of the costs of the new program are being recovered  
9 through base rates or any other cost recovery mechanism.

10

11 **Q. Has the Commission previously approved recovery of costs for similar**  
12 **activities associated with development of environmental compliance**  
13 **measures?**

14 A. Yes. As the Commission recognized in Order No. PSC-08-0775-FOF-EI issued  
15 in Docket 08-0007-EI on November 24, 2008: "Utilities are expected to take  
16 steps to control the level of costs that must be incurred for environmental  
17 compliance. An effective way to control the costs of complying with a  
18 particular environmental law or regulation can be participation in the regulatory  
19 and legal processes involved in defining compliance." Based on that  
20 understanding, the Commission has previously approved recovery through the  
21 ECRC of costs incurred by utilities for technical analyses and other activities  
22 associated with participation in development of regulatory compliance  
23 measures. See e.g., Order No. PSC-08-0775-FOF-EI issued in Docket No.  
24 080007-EI (Nov. 24, 2008) (costs for participating in rulemaking and legal

1 proceedings related to EPA's Section 316(b) Phase II rules); Order No. PSC-05-  
2 1251-FOF-EI issued in Docket No. 050007-EI (Dec. 22, 2005) (costs associated  
3 with technical analysis and legal challenges to Clean Air Interstate Rule); and  
4 Order No. PSC-00-0476-PAA-EI issued in Docket No. 991834-EI (Mar. 6,  
5 2000) (costs associated with participating in ozone modeling study).

6

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

8 **A. Yes it does.**