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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF

DAVID SORRICK

ON BEHALF OF

PROGRESS ENERGY FLORIDA

DOCKET NO. 100007-EI

AUGUST 27, 2010

(REVISED OCTOBER 7, 2010)

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

**A.** My name is David Sorrick. 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 Progress Energy Florida in the capacity of Vice President Power Generation – Florida.

**Q. Have you previously submitted testimony in this proceeding?**

**A.** Yes.

**Q. Have your responsibilities changed since you last submitted testimony in this proceeding?**

**A.** No.

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

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1 A. The purpose of my testimony is to provide current estimates of costs that will be  
2 incurred in 2011 for on-going capital and O&M environmental compliance costs  
3 associated with the Crystal River Units 4 and 5 (CR 4 & 5) air quality control  
4 assets included in PEF's Integrated Clean Air Compliance Program (CAIR).

5  
6 **Q. Have you prepared or caused to be prepared under your direction,  
7 supervision or control any exhibits in this proceeding?**

8 A. Yes. I am co-sponsoring the following portions of Exhibit No. \_\_ (TGF-3)  
9 attached to Thomas G. Foster's testimony:

- 10 • 42-5P page 7 of 16 - Integrated Clean Air Compliance Plan (CAIR)

11 I am also sponsoring Exhibit No. \_\_ (DS-1), which is an organizational chart  
12 associated with PEF's operation and maintenance of the CR 4 & 5 CAIR assets.

13  
14 **Q. What O&M costs do you expect to incur in 2011 in connection with the  
15 operation of the air emission controls at Crystal Unit 4 and 5 as part of the  
16 Integrated Clean Air Compliance Program (Project 7.4)?**

17 A. PEF estimates that \$28,605,166 in O&M costs will be spent to support the  
18 operation and maintenance of the new air emissions controls that were installed  
19 at the Crystal River Energy Complex as outlined in the PEF Integrated Clean  
20 Air Compliance Plan. Labor costs are expected to be \$6,423,026. This estimate  
21 is based upon current staffing levels which were developed after review of  
22 similar operations outside of Progress Energy as well as comparison of similar  
23 units within the Company. Administrative and General (A&G) expenses of  
24 \$14,851 related to the incremental positions that were created for support of the

1 Integrated Clean Air Compliance Program. Contractor expenses are expected to  
2 be \$5,154,330 for such activities as post-construction modifications not covered  
3 by warrantee, new chimney maintenance, limestone and gypsum handling, urea  
4 handling, cleaning of pond systems, additional security, gypsum sampler and  
5 sample analysis, truck scale maintenance, and contracted equipment  
6 maintenance and repairs. Miscellaneous costs for tools and equipment, rental  
7 equipment and other employee costs are estimated at \$753,352, with parts and  
8 materials expected to be \$2,988,775. Reagent costs (net gypsum sales /  
9 disposal, limestone, urea / ammonia, and dibasic acid) are expected to total  
10 \$13,270,832.

11

12 **Q. Are there any ongoing capital costs in 2011 associated with the**  
13 **implementation of the Integrated Clean Air Compliance Program (Project**  
14 **7.4)?**

15 **A.** Yes. PEF estimates that \$1,483,543 in capital costs will be incurred as part of  
16 the Integrated Clean Air Compliance Program in 2011. Approximately  
17 \$1,303,543 of such costs relate to the vehicle barrier system which is in the final  
18 stage of completion. The remaining \$180,000 relates to purchase of the third  
19 layer of the NOx reducing catalyst in Unit 5 SCR.

20

21 **Q. What steps is the Company taking to ensure that the level of expenditures**  
22 **for the operation of the Crystal River 4 and 5 controls is reasonable and**  
23 **prudent?**

1    **A.**     Plant management will monitor and control costs by several methods. First, the  
2           work will be scheduled and conducted proactively and efficiently. Second,  
3           expenditures will be reviewed and approved by the appropriate level of  
4           management per existing Company policies. Finally, all expenditures will be  
5           monitored on a monthly basis and budget variances will be analyzed for  
6           accuracy and appropriateness.

7

8    **Q.**     **Please discuss the organization being used to operate and maintain the**  
9           **CAIR equipment?**

10   **A.**     The Company has established a dedicated unit to manage, operate and maintain  
11           the new CAIR equipment. An organization chart is attached in Exhibit No. \_\_\_  
12           (DS-1). This unit will consist of 54 employees and reports to the Crystal River  
13           plant manager. There are eight managers, 25 operations employees and 21  
14           maintenance employees. The operators work rotating shifts in order to staff the  
15           operations of the facility 24 hours per day. The maintenance employees will  
16           work primarily days but will be available for emergent work after normal hours.  
17           In an effort to keep regular staffing levels lower, contractors will be used for  
18           specialized or lower-skilled work. This will minimize overall operations and  
19           maintenance costs.

20

21   **Q.**     **Are there policies and procedures in place to efficiently operate and**  
22           **maintain these assets?**

23   **A.**     There are several different policies and procedures the plant will use to  
24           efficiently operate and maintain the CAIR equipment. First and foremost, all

1 OSHA and Progress Energy safety-related policies and procedures are used. The  
2 plant also uses operating procedures to efficiently operate the equipment during  
3 startups, shut downs, steady state situations and transient scenarios. Employees  
4 are trained to respond effectively to many different operating scenarios via these  
5 procedures. The equipment is maintained using equipment-specific preventive  
6 maintenance procedures. The operating and maintenance procedures were  
7 developed during construction and startup and the plant will continue to revise  
8 them appropriately as more experience is gained with the equipment.

9  
10 The plant will also utilize existing corporate-wide policies & procedures to  
11 efficiently conduct business. Examples of these corporate policies and  
12 procedures would be human resources (hiring, compensation, performance  
13 management), supply chain management (purchasing, contracting, inventory),  
14 Information Technology (I.T.) (NERC Critical Infrastructure Protection, cell  
15 phones, computers).

16  
17 **Q. Are the personnel operating and maintaining this equipment trained in**  
18 **these policies and procedures?**

19 **A.** The personnel selected to operate and maintain the CAIR equipment had to  
20 meet specific job-related qualifications in order to qualify for the positions they  
21 were selected to perform. Some employees were hired from outside companies  
22 and they came to Progress Energy with previous experience operating this type  
23 equipment from other utilities. Some operations employees were selected to  
24 participate in an apprentice program. These employees must complete a 2 to 4

1 year training program before they are fully qualified workers. This training  
2 includes a mix of classroom and hands-on training that helps the employee  
3 progress through different levels of task proficiency. Maintenance employees  
4 were selected based on their skills and experience.

5  
6 Equipment-specific training was accomplished during the construction and start-  
7 up phase of the project. This training included equipment walk downs,  
8 discussions with vendor representatives and hands-on operating and  
9 maintenance work performed under the supervision of a qualified individual.  
10 From a business process standpoint, the CAIR personnel are trained on these  
11 policies & procedures using several different training methods which include:  
12 reading & review of the policies & procedures, small group discussions, one-on-  
13 one discussions with subject matter experts, computer based training (CBT) and  
14 on the job training.

15  
16 **Q. Does the company have controls in place to ensure these policies and  
17 procedures are followed?**

18 **A.** The Company ensures compliance through management controls, self-checks,  
19 the use of checklists, procedure sign-offs and audits. The level of controls is  
20 based on the particular policy or procedure.

21

22 **Q. Are there any other mechanisms in place to ensure proper operation and  
23 maintenance these assets?**

1 A. In addition to the above-mentioned methods, prudent engineering judgment and  
2 industry standards will be used to ensure proper operations and maintenance of  
3 the CAIR equipment.

4

5 Routine maintenance will be performed on a regular and on-going basis. In  
6 addition, specialized inspections and maintenance work will be conducted  
7 during scheduled unit and equipment outages. These specialized work activities  
8 will be identified and refined as the Company gains more operational experience  
9 with this equipment.

10

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

12 **A. Yes it does.**

