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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
DIRECT TESTIMONY OF
KENT D. HEDRICK
ON BEHALF OF
PROGRESS ENERGY FLORIDA
DOCKET NO. 050007-EI
SEPTEMBER 8, 2005

Q. Please state your name and business address.

A. My name is Kent D. Hedrick. My business address is Post Office Box 14042,
St. Petersburg, Florida 33733.

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

A. I am employed by Progress Energy Florida as Manager of Environmental
Performance & Technical Assessment.

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

A. Yes, I have.

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

A. Yes.

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

2 **A.** My testimony provides estimates of the costs that will be incurred in the year
3 2006 for PEF's Substation and Distribution System Investigation, Remediation
4 and Pollution Prevention Programs (Projects #1 and #2, respectively), which
5 were previously approved in PSC Order No. PSC-02-1735-FOF-EI, and for
6 PEF's new Sea Turtle/Street Lighting Program (Project #9) for which the
7 Company is seeking approval in this docket. The new Sea Turtle/Street
8 Lighting Program is described in more detail in my testimony of August 8,
9 2005.

10

11 **Q. What costs do you expect to incur in 2006 in connection with the Substation
12 System Investigation, Remediation and Pollution Prevention Program
13 (Project #1)?**

14 **A.** For 2006, we estimate Progress Energy will incur total O&M expenditures of
15 \$1,160,692 in remediation costs for the Substation System Investigation,
16 Remediation and Pollution Prevention Program. This amount includes
17 estimated costs for remediation activities at 24 substation sites that have already
18 been identified as requiring remediation.

19

20 **Q. What steps is the Company taking to ensure that the level of expenditures
21 for the Substation System Program is reasonable and prudent?**

1 **A.** The Company completed a comprehensive bid process to select the qualified
2 contractors to carry out the remediation activities necessary to comply with
3 FDEP criteria and to ensure the level of expenditures is reasonable and prudent.

4

5 **Q.** **What costs do you expect to incur in 2006 in connection with the**
6 **Distribution System Investigation, Remediation and Pollution Prevention**
7 **Program (Project #2)?**

8 **A.** For 2006 we estimate total O&M expenditures of \$4,451,692 for the
9 Distribution System Investigation, Remediation and Pollution Prevention
10 Program to perform remediation activities at 450 sites. This estimate assumes
11 90 3-phase transformer sites at an average cost of \$14,500 per site; 360 single-
12 phase transformer sites at an average cost of \$8,500 per site; and program
13 management costs.

14

15 **Q.** **What steps is the Company taking to ensure that the level of expenditures**
16 **for the Distribution System program are reasonable and prudent?**

17 **A.** The Company frequently reviews invoices for accuracy and proper
18 documentation. In addition, the Company has worked with the remediation
19 contractors to reduce fees for remediation activities and improve process
20 efficiency.

21

22 **Q.** **What costs do you expect to incur in 2006 in connection with the Sea**
23 **Turtle/Street Lighting Program (Project #9)?**

1 A. For 2006, we estimate that Progress Energy will incur a total of \$234,382. This
2 amount includes \$108,767 in O&M costs and \$125,615 in capital expenditures
3 to satisfy new criteria that local governments are applying to ensure compliance
4 with sea turtle ordinances in Franklin and Gulf Counties and the City of Mexico
5 Beach. Capital cost estimates are based on the modification of 679 lighting
6 fixtures that could include adding lens shielding, adjusting fixture height and/or
7 buffering at an average cost of approximately \$185 per unit. The estimated
8 O&M costs are for monitoring the effectiveness of these retrofits. Actual costs
9 may vary depending upon discussions with regulatory agencies to determine the
10 most cost-effective and appropriate compliance measures for specific sites.

11

12 **Q. What steps is the Company taking to ensure that the level of expenditures**
13 **for the Sea Turtle/Street Lighting Program is reasonable and prudent?**

14 A. Progress Energy will work with local governments and appropriate agencies to
15 develop a compliance plan that allows flexibility to utilize only those
16 modifications that are necessary to achieve compliance. Case-by-case
17 evaluation of each streetlight requiring modification will occur so only those
18 activities necessary to achieve compliance are performed in a reasonable and
19 prudent manner. In addition, Progress Energy will evaluate emerging
20 technologies and incorporate their use where reasonable and prudent.

21

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

23 A. Yes, it does.