BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 100007-EI

In the Matter of

ENVIRONMENTAL COST RECOVERY CLAUSE.
______________________________/

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PROCEEDINGS:	HEARING
COMMISSIONERS PARTICIPATING:	CHAIRMAN ART GRAHAM COMMISSIONER LISA POLAK EDGAR COMMISSIONER NATHAN A. SKOP COMMISSIONER RONALD A. BRISÉ
DATE:	Monday, November 1, 2010
TIME:	Commenced at 9:49 a.m. Concluded at 9:52 a.m.
PLACE:	Betty Easley Conference Center Room 148 4075 Esplanade Way Tallahassee, Florida
REPORTED BY:	JANE FAUROT, RPR Official FPSC Reporter (850) 413-6732

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P R O C E E D I N G S

CHAIRMAN GRAHAM: Now, let's open Docket 100007.

Staff, are there any preliminary matters in this docket?

MS. BROWN: Yes, Mr. Chairman. Good morning.

Staff would mention that there are proposed stipulations on all issues, and all witnesses have been excused, and we note that OPC and FIPUG have taken no position on those issues. Parties do not intend to make opening statements.

CHAIRMAN GRAHAM: Has everybody had the opportunity to view these stipulations?

Do we have any prefiled testimony?

MS. BROWN: Yes, we do. The prefiled testimony of all witnesses listed in Section VI of the Prehearing Order on Page 4, we ask that those be inserted into the record as though read.

CHAIRMAN GRAHAM: So moved.

MS. BROWN: And we have prepared a Comprehensive Stipulated Exhibit List that we ask be marked and moved into the record. It is located on -- it includes Issues 1 through 20, and we ask that those be moved into the record.

CHAIRMAN GRAHAM: We will move Issues 1 through 20 into the record. So moved.

(Exhibit Numbers 1 through 20 marked for identification and admitted into the record.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF

WILL GARRETT

ON BEHALF OF

PROGRESS ENERGY FLORIDA

DOCKET NO. 100007-EI

April 1, 2010

Q. Please state your name and business address.

A. My name is Will Garrett. 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 Service Company, LLC as Controller of Progress Energy Florida (PEF).

Q. What are your responsibilities in that position?

A. As legal entity Controller for PEF, I am responsible for all accounting matters that impact the reported financial results of this Progress Energy Corporation entity. I have direct management and oversight of the employees involved in PEF Regulatory Accounting, Property Plant and Materials Accounting, and PEF Financial Reporting and General Accounting.

Q. Please describe your educational background and professional experience.

A. I joined the company as Controller of PEF on November 7, 2005. My direct relevant experience includes over 2 years as the Corporate Controller for DPL, Inc. and its major subsidiary, Dayton Power and Light, headquartered in Dayton, Ohio. Prior to this position, I held a number of finance and accounting positions for 8 years at Niagara Mohawk Power Corporation, Inc. (NMPC) in Syracuse, New York, including Executive Director of Financial Operations, Director of Finance and Assistant Controller. As the Director of Finance and Assistant Controller, my responsibilities included regulatory proceedings, rates, financial planning, and providing testimony on a variety of matters before the New York Public Service Commission. Prior to joining NMPC, I was a Senior Audit Manager at Price Waterhouse (PW) in upstate New York, with 10 years of direct experience with investor owned utilities and publicly traded companies. I am a graduate of the State University of New York in Binghamton, with a Bachelor of Science in Accounting and I am a Certified Public Accountant in the State of New York.

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

A. Yes.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present for Commission review and approval, Progress Energy Florida's Actual True-up costs associated with Environmental Compliance activities for the period January 2009 through December 2009.

Q. Are you sponsoring any exhibits in support of your testimony?

A. Yes. I am sponsoring Exhibit No.__ (WG-1), which consists of eight forms and Exhibit No. __(WG-2), which provides details of five capital projects by site.

Exhibit No.__ (WG-1) consists of the following:

- Form 42-1A reflects the final true-up for the period January 2009 through December 2009.
- Form 42-2A reflects the final true-up calculation for the period.
- Form 42-3A reflects the calculation of the Interest Provision for the period.
- Form 42-4A reflects the calculation of variances between actual and estimated/actual costs for O&M activities.
- Form 42-5A presents a summary of actual monthly costs for the period of O&M activities.
- Form 42-6A reflects the calculation of variances between actual and estimated/actual costs for Capital Investment Projects.
- Form 42-7A presents a summary of actual monthly costs for the period for Capital Investment Projects.

- Form 42-8A, pages 1 through 15, consist of the calculation of depreciation expense, property tax expense, and return on capital investment for each project that is being recovered through the ECRC.

Exhibit No.__ (WG-2) consists of detailed support for the following capital projects:

- Pipeline Integrity Management (Capital Program Detail ("CPD"), pages 1 through 2)
- Above Ground Storage Tank Secondary Containment (CPD, pages 3 through 8)
- Clean Air Interstate Rule ("CAIR") Combustion Turbines ("CTs")(CPD, pages 9 through 12)
- Clean Air Interstate Rule ("CAIR") (CPD, pages 13 through 18)
- Thermal Discharge Permanent Cooling Tower (CPD, page 19)

Q. What is the source of the data that you will present by way of testimony or exhibits in this proceeding?

A. The actual data is taken from the books and records of PEF. The books and records are kept in the regular course of our business in accordance with generally accepted accounting principles and practices, and provisions of the Uniform System of Accounts as prescribed by Federal Energy Regulatory Commission (FERC) and any accounting rules and orders established by this Commission.

Q. **What is the final true-up amount for which PEF is requesting for the period January 2009 through December 2009?**

A. PEF is requesting approval of an over-recovery amount of $28,628,108 for the calendar period ending December 31, 2009. This amount is shown on Form 42-1A, Line 1.

Q. **What is the net true-up amount PEF is requesting for the January 2009 through December 2009 period which is to be applied in the calculation of the environmental cost recovery factors to be refunded/recovered in the next projection period?**

A. PEF has calculated and is requesting approval of an over-recovery amount of $4,562,177 reflected on Line 3 of Form 42-1A, as the adjusted net true-up amount for the January 2009 through December 2009 period. This amount is the difference between the actual over-recovery amount of $28,628,108 and the actual/estimated over-recovery of $24,065,931, as approved in Order PSC-09-0759-FOF-EI, for the period of January 2009 through December 2009.

Q. **Are all costs listed in Forms 42-1A through 42-8A attributable to environmental compliance projects approved by the Commission?**

A. Yes, they are.

Q. How did actual O&M expenditures for January 2009 through December 2009 compare with PEF's estimated/actual projections as presented in previous testimony and exhibits?

A. Form 42-4A shows that total O&M project variance was $7,156,828 or 10% lower than projected. Following are variance explanations for those O&M projects with significant variances. Individual project variances are provided on Form 42-4A.

<u>**O&M Project Variances**</u>

1. **Substation Environmental Investigation, Remediation, and Pollution Prevention (Project No. 1):** The project expenditure variance was $1,715,483 or 42% higher than projected. This variance is primarily attributable to higher amounts of subsurface contamination encountered during remediation of substations that was not evident during the preliminary environmental inspections. This project is discussed in Corey Zeigler's testimony.

2. **Distribution System Environmental Investigation, Remediation, and Pollution Prevention (Project No. 2):** The project expenditure variance was $746,703 or 9% higher than projected. This increase is driven by a higher unit cost associated with remediation sites that took longer than one day (as originally projected) to complete because of soil conditions or extent of the contamination. This project is discussed in Corey Zeigler's testimony.

3. **Pipeline Integrity Management (Project No. 3):** The project expenditure variance was $660,240 or 60% lower than projected. This variance is primarily attributable to the Smart PIG inspection contractor costs coming in lower than originally expected. This project is further discussed in Patricia West's testimony.

4. **SO_2 Emissions Allowances Program (Project No. 5)**: The SO_2 Emissions Allowances O&M project expenditures variance was $7,368,704 or 14% lower than projected. This variance is attributable to the overall lower fuel usage due to lower actual power usage than forecasted, and fuel switching opportunities over the course of the year.

5. **CAIR Crystal River (Project No. 7.4):** The CAIR Crystal River O&M expenditures were $1,604,241 or 45% lower for this program than originally projected. This variance is attributable the delay of service and maintenance agreements associated with the delay of the limestone and gypsum handling system, lower than projected labor costs and the truck scale maintenance expenses not occurring during 2009 as originally anticipated. This project is further discussed in Patricia West's testimony.

Q. How did actual Capital recoverable expenditures for January 2009 through December 2009 compare with PEF's estimated/actual projections as presented in previous testimony and exhibits?

A. Form 42-6A shows that the total Capital Investment project recoverable costs variance was $362,443 or 1% lower than projected for an immaterial difference from projected. Actual costs and variance by individual project are provided on Form 42-6A. Return on Capital Investment, Depreciation, and Taxes for each project for the period are provided on Form 42-8A, pages 1 through 15.

Q. How did actual Crystal River CAIR – Base (Project No. 7.4) capital expenditures for January 2009 through December 2009 compare with PEF's estimated/actual projections as presented in previous testimony and exhibits?

A. These capital expenditures qualify for Allowance for Funds Used During Construction ("AFUDC") and therefore will not be included in the capital recoverable costs until the associated pollution controls are placed in service. PEF reprojected total capital expenditures to be $215,772,754 in 2009 (PSC-09-0759-FOF-EI, Exhibit TGF-1 Schedule 42-8E pg.9) as part of the Estimated/Actual filing. Actual expenditures in 2009 were $213,583,188 or $2,189,566 (1%) lower than projected. This variance is primarily due to an unused contingency within the project. This project is further discussed in Kevin Murray's testimony.

Q. Where any major CAIR assets placed into service during 2009?

A. Yes. Over the past year, PEF has placed the following major projects into service:

- Crystal River Unit 5 SCR was placed in-service in June 2009 (see Capital Program Details; page 14 of 19), which corresponds with the 2009 Est/Actual filing;
- Crystal River SCR Common was placed in-service in July 2009(see Capital Program Details; page 15 of 19), which is in line with the estimated in-service date of June 2009 in the Est/Actual filing; and;
- Crystal River Unit 5 FGD was placed in-service in December 2009 (see Capital Program Details; page 14 of 19), which corresponds with the 2009 Est/Actual filing.

These projects are further discussed in Kevin Murray's testimony.

Q. Does this conclude your testimony?

A. Yes, it does.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

SUPPLEMENTAL DIRECT TESTIMONY OF

WILL GARRETT

ON BEHALF OF

PROGRESS ENERGY FLORIDA

DOCKET NO. 100007-EI

April 16, 2010

Q. Please state your name and business address.

A. My name is Will Garrett. 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 Service Company, LLC as Controller of Progress Energy Florida (PEF).

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

A. Yes. On April 1, 2010 I presented Progress Energy Florida's Actual True-up costs associated with Environmental Compliance activities for the period January 2009 through December 2009.

Q. What is the purpose of your supplemental testimony?

A. The purpose of my supplemental testimony is to present the capital structure, components and cost rates that Progress Energy Florida relied upon to calculate the revenue requirement rate of return for the period January 2009 through December 2009.

Q. Are you sponsoring any exhibits in support of your testimony?

A. Yes. I am sponsoring Exhibit No. WG-3.

Q. What capital structure, components and cost rates did Progress Energy Florida rely upon to calculate the revenue requirement rate of return for the period January 2009 through December 2009.

A. The capital structure, components and cost rates relied upon to calculate the revenue requirement rate of return for the period January 2009 through December 2009 are shown in my Exhibit No. WG-3. The schedule provided in Exhibit No. WG-3 includes the derivation of debt and equity components used in the Return on Average Net Investment, lines 7 (a) and (b), on Form 42-8 included in Exhibit WG-1 to my testimony submitted on April 1, 2010. The schedule also cites all sources and includes the rationale for using the particular capital structure and cost rates.

Q. Does this conclude your testimony?

A. Yes, it does.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF

CORY ZEIGLER

ON BEHALF OF

PROGRESS ENERGY FLORIDA

DOCKET NO. 100007-EI

April 1, 2010

Q. Please state your name and business address.

A. My name is Corey Zeigler. My business address is 299 First Avenue North, St. Petersburg, Florida 33701.

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

A. I am employed by Progress Energy Florida (PEF) as Manager, Environmental Permitting & Compliance.

Q. What are your responsibilities in that position?

A. Currently, my responsibilities include managing environmental permitting and compliance activities for Energy Delivery Florida. Energy Delivery Florida is part of the Florida Distribution Business unit of which I support the Distribution and Transmission Operation and Planning Department.

Q. Please describe your educational background and professional experience.

A. I received a Bachelors of Science degree in General Business Administration and Management from the University of South Florida. Prior to holding this role I was the Health and Safety Manager for Progress Energy Florida Transmission and Delivery. I have 18 years experience in the utility industry holding various operational, supervisor and managerial roles at Progress Energy.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to explain material variances between the actual project expenditures versus the Estimated/Actual project expenditures for environmental compliance costs associated with PEF's Substation Environmental Investigation, Remediation, and Pollution Prevention Program (Project 1 & 1a) and the Distribution System Environmental Investigation, Remediation, and Pollution Prevention Program (Project 2).

Q. How did actual O&M expenditures for January 2009 through December 2009 compare with PEF's Estimated/Actual projections as presented in previous testimony and exhibits for the Substation System Program?

A. The project expenditure variance for the Substation System Program was $1,715,483 or 42% higher than projected. This increase is primarily attributable to higher amounts of subsurface contamination encountered during remediation of substations that was not evident during the preliminary environmental inspections.

Q. How did actual O&M expenditures for January 2009 through December 2009 compare with PEF's estimated / actual projections as presented in previous testimony and exhibits for the Distribution System Program?

A. The project expenditure variance for the Distribution System Program was $746,703 or 9% higher than projected. This increase is driven by a higher unit cost associated with remediation sites that took longer than one day (as originally projected) to complete because of soil conditions or extent of the contamination.

Q. Does this conclude your testimony?

A. Yes.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF

<u>COREY ZEIGLER</u>

ON BEHALF OF

PROGRESS ENERGY FLORIDA

DOCKET NO. 100007-EI

AUGUST 2, 2010

Q. Please state your name and business address.

A. My name is Corey Zeigler. My business address is 299 First Avenue North, St. Petersburg, Florida 33701.

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

A. I am employed by Progress Energy Florida (PEF) as Manager, Environmental Permitting & Compliance.

Q. What are your responsibilities in that position?

A. Currently, my responsibilities include managing environmental permitting and compliance activities for Energy Delivery Florida. Energy Delivery Florida is part of the Florida Distribution Business unit of which I support the Distribution and Transmission Operation and Planning Departments.

Q. Please describe your educational background and professional experience.

A. I received a Bachelors of Science degree in General Business Administration & Management from the University of South Florida. Prior to holding this role, I was the Health and Safety Manager for Progress Energy Florida's Delivery and Transmission Operations and Planning Departments. I have 18 years experience in the utility industry, holding various operational, supervisor and managerial roles at Progress Energy.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to explain material variances between the 2010 Estimated/Actual project expenditures versus the original 2010 cost projections for environmental compliance costs associated with Progress Energy Florida (PEF)'s Substation Environmental Investigation, Remediation, and Pollution Prevention Program and Distribution System Environmental Investigation, Remediation, and Pollution Prevention Program.

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

A. I am responsible for Substation Environmental Investigation, Remediation, and Pollution Prevention Program (Projects 1 & 1a), Distribution System Environmental Investigation, Remediation, and Pollution Prevention Program (Project 2) and the Sea Turtle Program (Project 9).

Q. Please explain the variance between the Estimated/Actual project expenditures and the original projections for the Substation System Program (Project 1 & 1a) for the period January 2010 to December 2010.

A. O&M project expenditures for the Substation System Program are estimated to be $7,471,465 or 360% higher than originally projected. This increase is primarily attributable to several sites that had significantly higher amounts of subsurface contamination encountered during remediation that was not evident during the original visual environmental inspections.

Q. Please explain the variance between the Estimated/Actual project expenditures and the original projections for the Distribution System Environmental Investigation, Remediation, and Pollution Prevention Program (Project 2) for the period January 2010 to December 2010.

A. O&M project expenditures for the Distribution System Program are estimated to be $289,316 or 3% lower than originally projected. This decrease is driven by the lower than expected unit cost.

Q. Does this conclude your testimony?

A. Yes.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF

<u>COREY ZEIGLER</u>

ON BEHALF OF

PROGRESS ENERGY FLORIDA

DOCKET NO. 100007-EI

AUGUST 27, 2010

Q. Please state your name and business address.

A. My name is Corey Zeigler. My business address is 299 First Avenue North, St. Petersburg, Florida 33701.

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

A. I am employed by Progress Energy Florida as Manager, Environmental Permitting and Compliance.

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.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to provide estimates of the costs that will be incurred in the year 2011 for Progress Energy Florida's ("PEF's" or "Company's") Substation Environmental Investigation, Remediation, and Pollution Prevention Program (Project No. 1), which was previously approved in PSC Order No. PSC-02-1735-FOF-EI, Distribution System Environmental Investigation, Remediation, and Pollution Prevention Program (Project No. 2), which was previously approved in PSC Order No. PSC-02-1735-FOF-EI, and the Sea Turtle Coastal Street Lighting Program (Project No. 9), which was previously approved in PSC Order No. PSC-05-1251-FOF-EI.

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

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

- 42-5P page 1 of 16 - Substation Environmental Investigation, Remediation, and Pollution Prevention
- 42-5P page 2 of 16 - Distribution System Environmental Investigation, Remediation, and Pollution Prevention; and
- 42-5P page 9 of 16 - Sea Turtle - Coastal Street Lighting.

Q. What costs do you expect to incur in 2011 in connection with the Substation System Investigation, Remediation and Pollution Prevention Program (Project No. 1)?

A. For 2011, we estimate PEF will incur total O&M expenditures of approximately $3,067,512 in remediation costs for the Substation System Investigation, Remediation and Pollution Prevention Program. This amount includes estimated costs for remediation activities at 64 substation sites that have already been identified as requiring remediation.

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

A. PEF works annually with the Florida Department of Environmental Protection ("FDEP") to determine the specific substation sites to be remediated to ensure compliance with FDEP criteria. The Company also provides quarterly reports to FDEP on progress made in remediating substation sites. To ensure the level of expenditures is reasonable and prudent; the Company closely monitors remediation work and provides quarterly reports to the FDEP on progress made in remediating the sites.

Q. What costs do you expect to incur in 2011 in connection with the Distribution System Investigation, Remediation and Pollution Prevention Program (Project No. 2)?

A. For 2011 we estimate total Operations and Maintenance ("O&M") expenditures of approximately $7,608,000 for the Distribution System Investigation, Remediation and Pollution Prevention Program to perform remediation activities at approximately 635 sites. This estimate assumes approximately 150 3-phase transformer sites at an average cost of $15,800 per site, approximately 485 single-phase transformer sites at an average cost of $10,800 per site as well as program management costs. The average cost per site was based upon PEF's analysis of the prior two years of invoices associated with the remediation of the TRIP sites.

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

A. To ensure the level of expenditures is reasonable and prudent; the Company closely monitors remediation work and provides quarterly reports to the FDEP on progress made in remediating distribution sites.

Q. What costs do you expect to incur in 2011 in connection with the Sea Turtle/Street Lighting Program (Project No. 9)?

A. For 2011, the projected expenses for the Sea Turtle/Street Lighting Program are $21,800. This amount includes $1,800 in O&M costs and $20,000 in capital expenditures to ensure compliance with sea turtle ordinances in Franklin and Gulf Counties and the City of Mexico Beach. The capital expenditures will be spent on modifications and/or replacement of applicable lighting fixtures. The estimated O&M projections include research costs associated with street light technology studies.

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

A. PEF is cooperating with local governments and appropriate regulatory agencies to develop compliance plans that allow flexibility to make only those modifications necessary to achieve compliance. PEF will ensure that evaluation of each streetlight requiring modification occurs so that only those activities necessary to achieve compliance are performed in a reasonable and prudent manner. In addition, PEF will evaluate emerging technologies and incorporate their use where reasonable and prudent.

Q. Does this conclude your testimony?

A. Yes, it does.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF

PATRICIA Q. WEST

ON BEHALF OF

PROGRESS ENERGY FLORIDA

DOCKET NO. 100007-EI

April 1, 2010

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.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to explain material variances between the Estimated/Actual project expenditures and the original cost projections for environmental compliance costs associated with PEF's, Pipeline Integrity Management Program, and the Integrated Clean Air Compliance Program for the period January 2009 through December 2009. In addition, I am sponsoring Exhibit No. __ (PQW-1), which is PEF's review of the efficacy of its Integrated Clean Air Compliance Plan and of retrofit options in relation to expected environmental regulations.

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

A. I am responsible for Pipeline Integrity Management (Project No. 3); Aboveground Storage Tank Secondary Containment (Project No. 4), Phase II Cooling Water Intake (Project No. 6), CAIR Peaking - Demand (Project No. 7.2), CAIR Crystal River (Project No. 7.4), Arsenic Groundwater Standard (Project No. 8), Underground Storage Tanks (Project 10), Modular Cooling Towers (Project No. 11), Thermal Discharge Permanent Cooling Tower (Project No. 11.1), Greenhouse Gas Inventory and Reporting (Project No. 12), and the Mercury Total Daily Maximum Loads Monitoring (Project No. 13).

Q. Please explain the variance between the actual project expenditures and the Estimated/Actual projections for the Pipeline Integrity Management (Project No. 3) for the period January 2009 to December 2009.

A. The Pipeline Integrity Management O&M expenditures were $660,240 or 60% lower for this program than originally projected. This variance is primarily attributable to the Smart PIG inspection contractor costs coming in lower than originally expected. Also, contributing to the variance was the deferral of 2009 follow-up actions (validation digs and potential repairs) due to contractor's delay in submitting the final inspection report to PEF until January 2010, and delays in environmental permitting for the Alligator Creek project.

Q. Please explain the variance between the actual project expenditures and the Estimated/Actual projections for the CAIR Combustion Turbine Predictive Emissions Monitoring Systems (Project No. 7.2) for the period January 2009 to December 2009.

A. The CAIR Combustion Turbine Predictive Emissions Monitoring Systems O&M expenditures were $11,869 or 26% higher for this program than originally projected. This variance is attributable to the need for emissions compliance testing at the Higgins and Avon Park sites as a result of changes in operation. The Higgins combustion turbine required testing to allow it to run on oil (initial testing was for natural gas only), and the Avon Park site replaced an engine and the new engine had to be tested to ensure compliance with CAIR.

Q. Please explain the variance between the actual project expenditures and the Estimated/Actual projection for the CAIR Crystal River (Project No. 7.4) for the period January 2009 to December 2009.

A. The CAIR Crystal River O&M expenditures were $1,604,241 or 45% lower for this program than originally projected. This variance is attributable the delay of service and maintenance agreements associated with the delay of the limestone and gypsum handling system, lower than projected labor costs and the truck scale maintenance expenses not occurring during 2009 as originally anticipated. Also, during 2009 there was a lower ammonia consumption rate caused by the deferral of the initial operation of the Acid Mist Mitigation System from 2009 to 2010, lower fuel burn driven by lower energy requirement and fuel switching opportunities.

Q. In Order No. PSC-07-0922-FOF-EI issued in Docket 070007-EI on November 16, 2007, the Commission directed PEF to file as part of its ECRC true-up testimony "a yearly review of the efficacy of its Plan D and the cost-effectiveness of PEF's retrofit options for each generating unit in relation to expected changes in environmental regulations." Has PEF conducted such a review?

A. Yes. PEF's yearly review of the Integrated Clean Air Compliance Plan is provided as Exhibit No. __ (PQW-1).

Q. Please summarize the conclusions of PEF's review.

A. Based on project milestones achieved to date, PEF remains confident that its Commission-approved Integrated Clean Air Compliance Plan will have the desired effect of achieving timely compliance with the applicable regulations in a cost-effective manner. No new or revised environmental regulations have been adopted that have a direct bearing on PEF's compliance plan. No greenhouse gas (GHG) regulations have been adopted to date and there currently are no demonstrated retrofit options to reduce GHG emissions from fossil fuel-fired electric generating units. Moreover, abandoning the Crystal River Units 4 and 5 emission control projects is not a viable option in light of CAIR compliance deadlines, and the fact that most of the major components of PEF's Plan are either already in-service or scheduled to be placed in service in 2010. Although EPA is proceeding with the adoption of new MACT standards for utility hazardous air pollutant emissions as a result of a federal court decision vacating the federal CAMR rules, this development does not immediately impact PEF's implementation of its Plan because the plan relies primarily on installation of NOx and SO_2 controls to reduce mercury emissions and does not contemplate installation of mercury-specific controls until 2017. For these reasons, PEF's Plan D continues to represent the most cost-effective alternative for achieving and maintaining compliance with the applicable regulatory requirements.

Q. Does this conclude your testimony?

A. Yes it does.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF

PATRICIA Q. WEST

ON BEHALF OF

PROGRESS ENERGY FLORIDA

DOCKET NO. 100007-EI

August 27, 2010

Q. Please state your name and business address.

A. My name is Patricia Q. West. My business address is 299 1st Avenue North, St. Petersburg, Florida, 33701.

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

A. I am employed by the Environmental Services Section of Progress Energy Florida ("Progress Energy" or "Company") as Manager of Environmental Services / Energy Supply Florida. In that position I have responsibility to ensure that environmental technical and regulatory support is provided during the implementation of compliance strategies associated with the environmental requirements for power generation facilities in Florida.

Q. Have you previously filed testimony before this Commission in this proceeding?

A. Yes, I have.

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

A. Yes.

Q. What is the purpose of your testimony?

A. This testimony provides estimates of the costs that will be incurred in the year 2011 for environmental programs that fall within the scope of my responsibilities to support Progress Energy's power generation group. These programs include the Pipeline Integrity Management Program (Project No. 3), Aboveground Storage Tanks Secondary Containment Program (Project No. 4), Phase II Cooling Water Intake 316(b) Program (Project No. 6), the Integrated Air Compliance Program associated with combustion turbines (Project No. 7.2), and operation of the air emission controls at Crystal River Units 4 and 5 (Project No. 7.4), Arsenic Groundwater Standard Program (Project No. 8), Underground Storage Tank Program (Project No. 10), the Modular Cooling Tower Program (Project No. 11), the Thermal Discharge Permanent Cooling Tower (Project 11.1), the Green House Gas Inventory and Reporting Program (Project No. 12), the Mercury TMDL project (Project No. 13), Hazardous Air Pollutants (HAPs) ICR Program (Project No. 14), and the Effluent Limitation Guidelines ICR Program (Project No. 15).

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

A. Yes. I am co-sponsoring the following portions of Exhibit No. __ (TGF-3) to the testimony of PEF witness Thomas G. Foster:

- 42-5P page 3 of 16 - Pipeline Integrity Management
- 42-5P page 4 of 16 - Above Ground Storage Tank Containment
- 42-5P page 6 of 16 - Phase II Cooling Water Intake
- 42-5P page 8 of 16 - Arsenic Groundwater Standard
- 42-5P page 10 of 16 - Underground Storage Tanks
- 42-5P page 11 of 16 - Modular Cooling Towers
- 42-5P page 12 of 16 - Crystal River Thermal Discharge Project
- 42-5P page 13 of 16 - Greenhouse Gas Inventory and Reporting
- 42-5P page 14 of 16 - Mercury Total Daily Maximum Loads Monitoring
- 42-5P page 15 of 16 - Hazardous Air Pollutants (HAPs) ICR Program
- 42-5P page 16 of 16 - Effluent Limitation Guidelines ICR Program

Q. What costs do you expect to incur in 2011 in connection with the Pipeline Integrity Management Program (Project No. 3)?

A. For 2011, we project that Progress Energy Florida will incur a total of $1,593,000 in O&M and $130,000 in capital expenditures to comply with the Pipeline Integrity Management ("PIM") regulations (49 CFR Part 195). Recent amendments to this regulation improve opportunities to reduce risk through more effective control of pipelines. Compliance with these amendments will enhance pipeline safety by coupling strengthened control room management with improved controller training and fatigue management. Progress Energy must develop Bartow-Anclote Pipeline ("BAP") control room management procedures by August 1, 2011 and implement said procedures by February 1, 2013. Additional requirements include: development and implementation of BAP Control Room Management procedures; updating training programs to include additional requirements and procedures; building and installing BAP pipeline simulator; and developing training plans.

Q. **What are the steps that the Company is taking to ensure that the level of expenditures for the Pipeline Integrity Management Program is reasonable and prudent?**

A. As additional work is identified to comply with the PIM regulations, Progress Energy Florida will identify qualified suppliers of the necessary services through a competitive bidding process.

Q. **What costs do you expect to incur in 2011 in connection with the Aboveground Storage Tank Secondary Containment Program (Project 4)?**

A. Progress Energy Florida is not projecting to spend any funds on this program during 2011.

Q. **What costs do you expect to incur in 2011 in connection with the Phase II Cooling Water Intake Program (Project 6)?**

A. EPA is expected to issue a new proposed 316(b) rule during the latter part of 2010 that would become final in 2012; therefore, Progress Energy Florida is not anticipating any costs to be incurred in 2011.

Q. What O&M costs do you expect to incur in 2011 in connection with the components of the CAIR Program under your responsibility (Project No. 7.2)?

A. PEF expects to incur $ 131,200 in O&M expenditures for the operation and maintenance of predictive emissions monitoring systems at the combustion turbine sites. O&M costs for ongoing software vendor support of these new systems are projected to be $43,700. Air emissions testing requirements are expected to be approximately $87,500 in order to comply with 40 CFR 75, Appendix E, Section 2.2 to reset correlation curves every 20 quarters. This testing will be performed on all of PEF's Predictive Emission Monitoring System ("PEMS") between 2011 and 2013. Air emissions testing may also be required after maintenance activities.

Q. Are there any additional O&M costs that you expect to incur in 2011 in connection with the CAIR Program (Project No. 7.4)?

A. Yes. PEF expects to incur additional capital and O&M costs associated with the air quality control projects at Crystal River Units 4 and 5. Those additional costs are discussed in the testimony of PEF witness David Sorrick.

Q. What costs do you expect to incur in 2011 in connection with the Arsenic Groundwater Standard Program (Project No. 8)?

A. Progress Energy Florida estimates that approximately $15,000 will be spent on this program in 2011. This estimate is based upon the expectation that work will continue to comply with the Florida Department of Environmental Protection's industrial wastewater permit for the Crystal River Energy Complex (January 9, 2007) and the modified Conditions of Certification (May 14, 2010).

Q. What steps is the Company taking to ensure that the level of expenditures for the Arsenic Groundwater Standard Program is reasonable and prudent?

A. As additional work is identified to comply with the Arsenic standard, Progress Energy Florida will continue to work with selected suppliers of the necessary services, while managing scope of work and associated costs.

Q. What costs do you expect to incur in 2011 in connection with the Underground Storage Tanks Program (Project No. 10)?

A. PEF is not anticipating any expenditures for this program during 2011.

Q. What costs do you expect to incur in 2011 in connection with the Modular Cooling Tower Program (Project 11)?

A. PEF is projecting to spend approximately $3,300,000 in O&M expenditures for this program in 2011. These costs are for rental fees associated with the extension of the five-year lease agreement that began in 2006.

Q. What costs do you expect to incur in 2011 in connection with the Thermal Discharge Permanent Cooling Tower (Project No. 11.1)?

A. PEF is projecting to spend approximately $30.7 million in ECRC capital expenditures in 2011. These costs are associated with equipment procurement, site preparation, and construction activities associated with the cooling tower basin, intake/discharge structures, and related systems/structures. PEF expects to place the cooling tower in service before completion of the Extended Power Uprate work on the Crystal River Unit3 Uprate project during the next refueling outage in 2012.

Q. What costs do you expect to incur in 2011 in connection with the Green house Gas (GHG) Inventory and Reporting Program (Project No. 12)?

A. PEF is projecting to spend approximately $4,500 in O&M for this program in 2011. These costs are for possible need for contractor support as PEF transitions reporting processes to comply with EPA's GHG Reporting Rule (40 CFR 98) that was finalized in April 2010. No Climate Registry fee or third-party verification is required under the federal rule.

Q. What steps is the Company taking to ensure that the level of the expenditure for the Green house Gas Inventory and Reporting Program is reasonable and prudent?

A. If additional work is identified to comply with the program, Progress Energy Florida will continue to work with selected suppliers of the necessary services, while managing scope of work and associated costs.

Q. What costs do you expect to incur in 2011 in connection with the Mercury TMDL Program (Project No. 13)?

A. Consistent with the March 4, 2009, Petition seeking approval of this new program, PEF expects to spend approximately $38,000 in 2011. These costs will cover ongoing participation in the FCG / FDEP effort with modeling results and data analyses to be used in the development of upcoming rules.

Q. What steps is the Company taking to ensure that the level of the expenditure for the Mercury TMDL Program is reasonable and prudent?

A. PEF's has agreed to this level of expenditure in support of the FCG effort with FDEP. No additional funds can be spent without PEF's review and concurrence.

Q. What costs do you expect to incur in 2011 in connection with the Hazardous Air Pollutants (HAP) Program (Project No. 14)?

A. PEF is not anticipating any expenditures for this program during 2011.

Q. What costs do you expect to incur in 2011 in connection with the Effluent Limitation Guidelines ICR Program (Project No. 15)?

A. PEF is not anticipating any expenditures for this program during 2011.

Q. Does this conclude your testimony?

A. Yes it does.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF

PATRICIA Q. WEST

ON BEHALF OF

PROGRESS ENERGY FLORIDA

DOCKET NO. 100007-EI

AUGUST 2, 2010

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. Have you previously filed testimony before this Commission in this proceeding?

A. Yes, I have.

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

A. Yes.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to explain material variances between the Estimated/Actual project expenditures and the original cost projections for environmental compliance costs associated with PEF's, Pipeline Integrity Management Program, Arsenic Groundwater Standard Project, Modular Cooling Towers and the Thermal Discharge Permanent Cooling Tower, for the period January 2010 through December 2010.

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

A. I am responsible for Pipeline Integrity Management (Project No. 3); Aboveground Storage Tank Secondary Containment (Project No. 4), Phase II Cooling Water Intake (Project No. 6), Arsenic Groundwater Standard (Project No. 8), Underground Storage Tanks (Project 10), Modular Cooling Towers (Project No. 11), Thermal Discharge Permanent Cooling Tower (Project No. 11.1), Greenhouse Gas Inventory and Reporting (Project No. 12), Mercury Total Daily Maximum Loads Monitoring (Project No. 13), Hazardous Air Pollutants (HAPs) Information Collection Request (ICR) Program (Project No. 14) and the Effluent Limitation Guidelines ICR Program (Project No. 15).

Q. Please explain the O&M variance between the Estimated/Actual project expenditures and the original projections for the Pipeline Integrity Management Program (Project No. 3) for the period January 2010 to December 2010.

A. PEF is projecting O&M expenditures to be $108,129 or 9% lower for this program than originally projected. This variance is mainly attributable to a reprioritization of pipeline-related resources. Also, the scope of utility relocations included in the original pipeline risk reduction estimate for a Florida Department of Transportation project was lower than originally anticipated.

Q. Please explain the variance between the Estimated/Actual capital investment activities and the original projections for the Pipeline Integrity Management Program (Project No. 3) for the period January 2010 to December 2010.

A. PEF is projecting capital investment activities to be $116,066 or 20% lower for this program than originally projected. This variance is mainly attributable to the change in the 13-Month Average Capital ratio approved in the 2010 Rate Case (Docket No. 090079-EI), and the change in depreciation rates approved in Order PSC-10-0131-FOF-EI.

Q. Please explain the variance between the Estimated/Actual project expenditures and the original projections for the Arsenic Groundwater Standard (Project No. 8) for the period January 2010 to December 2010.

A. PEF is projecting O&M expenditures to be $20,000 or 100% higher for this program than originally projected. This variance is mainly attributable to the continued assessment of the groundwater quality at Crystal River as directed by the Florida Department of Environmental Protection (FDEP).

Q. Please explain the variance between the Estimated/Actual project expenditures and the original projections for the Modular Cooling Towers Project (Project No. 11) for the period January 2010 to December 2010.

A. Total O&M project costs are estimated to be $818,714 or 20% lower than originally projected. This variance is mainly attributable to the shift in the demobilization costs of the modular cooling towers from 2010 until 2011. This shift is due to the work on the Thermal Discharge Permanent Cooling Tower (Project 11.1) being reprojected until 2011 to correspond with the timing of the next refueling outage at Crystal River Unit 3.

Q. Has PEF reprojected the costs of the Hazardous Air Pollutants (HAPs) ICR Program since the petition filed on January 8, 2010?

A. Yes. For the Hazardous Air Pollutants ICR Program PEF estimates approximately $400,000 for the remainder of 2010. PEF noted that in the petition for this new environmental program PEF's original projected costs of $845,000 were based on the costs estimate published by the U.S. Environmental Protection Agency (EPA). However, these costs were reduced to approximately $400,000 because the EPA reduced the scope of the original ICR report by exempting the Bartow and Anclote sites.

Q. Please explain the variance between the Estimated / Actual project capital expenditures and the original projections for the Thermal Discharge Permanent Cooling Tower (Project 11.1) for the period January 2010 and December 2010.

A. PEF is projecting capital expenditures to be $20,473,817 or 59% lower for this project in 2010 than originally forecasted. This variance is mainly attributable to the work being reprojected from 2010 to 2011 to correspond with the timing of the next refueling outage at Crystal River Unit 3 which is scheduled for 2012.

Q. Is PEF requesting recovery of 2010 costs for any new environmental programs?

A. Yes. On June 23, 2010 PEF filed a petition requesting recovery of costs associated with the Effluent Guidelines ICR Program.

Q. Why is the Company implementing these new programs?

A. Section 304 of the federal Clean Water Act directs the U.S. EPA to develop and periodically review regulations, called effluent guidelines, to limit the amount of pollutants that are discharged to surface waters from various point source categories. 33 U.S.C. §13 14(b). In October 2009, EPA announced that it intended to update the effluent guidelines for the steam electric power generating point source category, which were last updated in 1982. On June 18, 2010, PEF received notification that the Crystal River Energy Complex, Suwannee River Plant and the Hines Energy Complex are required to complete the ICR and submit responses to U.S. EPA within 90 days. Collection and submittal of the requested information is mandatory under Section 308 of the Clean Water Act.

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

A. Yes. For the Effluent Guidelines ICR Program PEF estimates the total project costs to be approximately $60,000 for the remainder of 2010.

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

A. Yes. Costs for the new program meet the requirements for ECRC recovery previously established by the Commission. Specifically, the expenditures are being prudently incurred after April 13, 1993; the activities are legally required to comply with a governmentally imposed environmental requirement which was created, or whose effect was triggered, after the minimum filing requirements (MFRs) were submitted in PEF's last rate case (Docket No. 090079-EI); and none of the costs of the new program are being recovered through base rates or any other cost recovery mechanism.

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

A. Yes. The Commission has previously held that costs of complying with similar ICR related to U.S. EPA's development of air emissions standards are recoverable under the ECRC. See Order No. PSC-09-0759-FOF-EI, issued in Docket No. 090007-EI (Nov. 18, 2009).

Q. Does this conclude your testimony?

A. Yes it does.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF

KEVIN MURRAY

ON BEHALF OF

PROGRESS ENERGY FLORIDA

DOCKET NO. 100007-EI

April 1, 2010

Q. Please state your name and business address.

A. My name is Kevin Murray. My business address is 299 First Avenue North, St. Petersburg, Florida, 33701.

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

A. I am employed by Progress Energy Florida ("PEF") as General Manager of Plant Construction Projects.

Q. What are your responsibilities as General Manager of Florida Construction Projects?

A. As General Manager of Projects, I am responsible for the oversight of PEF's major fossil generation projects, including the Crystal River Units 4 and 5 air quality control system projects.

Q. Please describe your educational background and professional experience.

A. I received my Bachelor of Science Degree in Mechanical Engineering from the University of Arizona. I have 16 years of professional experience in engineering and project management within the electric power industry. I started my career in the power industry with Westinghouse Power Generation (now Siemens) based in Orlando, where I was employed as an engineer working on power plant proposals. During this time, I received an award for my work on a project in Thailand. I went to work for El Paso Corporation as an engineer and then as a project manager. I was involved in projects in both North and South America, including 1-year residency in Brazil. I joined Progress Energy in 2004 and served as the director of engineering for the Company's new fossil power projects. In 2008, I was promoted to General Manager of Projects for Progress Energy Florida, which includes responsibility for implementing the Crystal River Units 4 and 5 air quality control system projects.

Q. Are you sponsoring any exhibits with your testimony?

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

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to summarize the status of PEF's implementation of the Crystal River Project, including the variance between actual 2009 Project expenditures and the Estimated/Actual projection submitted in Docket No. 090007-EI. I also will describe some of the measures PEF has taken to ensure that the costs incurred for the Crystal River Project are reasonable and prudent.

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

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

- Crystal River Unit 5 SCR in service in June 2009;
- Completion of the SCR Common project in July 2009; and
- Crystal River Unit 5 FGD in service in December 2009.

As discussed in the annual review of PEF's compliance plan previously submitted in this docket, there are uncertainties associated with all major construction projects including the Crystal River Project. At this time, however, the Crystal River Project is on-schedule to achieve the in-service dates set forth in PEF's Commission-approved Integrated Clean Air Compliance Plan.

Q. How do the actual project expenditures for the Crystal River Project compare with PEF's estimated/actual projections for the period January 2009 to December 2009?

A. The actual total expenditures for the Crystal River Projects in 2009 were $213.5 million, which is approximately $2 million (1%) less than projected in PEF's Estimated/Actual projection. The difference is attributable to the unused portion of the project's contingency that is used to manage acknowledged risks that are likely to occur during the project. Risks projected to occur during 2009 did not materialize, but may still occur during the remainder of the project.

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

A. PEF has established an organizational structure to ensure prudent decision-making and project oversight as implementation of the Integrated Clean Air Compliance Plan proceeds. The specific team for the Crystal River Project is as shown in Exhibit No.__ (KM-1). The Company has assigned me as the General Manager with primary overall responsibility and accountability for the Crystal River Project. I oversee all of the internal team members as well as all of the external contractors working on the project. My project management team, which also includes a dedicated Project Engineer and Project Controls personnel, regularly works with Company personnel from other departments, including Environmental, Health and Safety Services, Corporate Services, Fossil Generation, Legal, and Regulatory Planning as needed.

To promote efficient integration of the new equipment with current operations, the Company also has established a Plant Integration Team (PIT) that will be involved through the startup and commissioning process. The PIT was established early in the life of the Project to allow for plant operational input into the technical and functional requirements incorporated in the Project design, the operational design features, the anticipated operation of the new systems and the performance guarantees. During the construction phase, the PIT provides interface between me and plant operations and has the primary responsibility for developing operational maintenance procedures for the new equipment. The PIT also will participate in startup integration for commercial operation.

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

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

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

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

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

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

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

A. Yes. We have implemented several mechanisms to ensure proper oversight and review of the Crystal River Project. Among other things, the project management team regularly prepares Project Cost Reports to track project expenditures against the detailed project scopes to ensure that PEF receives what it contracted for and that any scope changes are properly evaluated and documented.

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

Q. Does this conclude your testimony?

A. Yes, it does.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF

KEVIN MURRAY

ON BEHALF OF

PROGRESS ENERGY FLORIDA

DOCKET NO. 100007-EI

August 2, 2010

Q. Please state your name and business address.

A. My name is Kevin Murray. My business address is 299 First Avenue North, Saint Petersburg, Florida 33701.

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

A. I am employed by Progress Energy Florida ("PEF") as General Manager of Plant Construction Projects.

Q. What are your responsibilities as General Manager of Florida Construction Projects?

A. As General Manager of Projects, I am responsible for the oversight of PEF's major fossil generation projects, including the Crystal River Units 4 and 5 air quality control system projects, "Crystal River CAIR".

Q. Please describe your educational background and professional experience.

A. I received my Bachelor of Science Degree in Mechanical Engineering from the University of Arizona. I have 17 years of professional experience in engineering and project management within the electric power industry. I started my career in the power industry with Westinghouse Power Generation (now Siemens) based in Orlando, where I was employed as an engineer working on power plant proposals. During this time, I received an award for my work on a project in Thailand. I went to work for El Paso Corporation as an engineer and then as a project manager. I was involved in projects in both North and South America, including 1-year residency in Brazil. I joined Progress Energy in 2004 and served as the director of engineering for the Company's new fossil power projects. In 2008, I was promoted to General Manager of Projects for Progress Energy Florida, which includes responsibility for implementing the Crystal River Units 4 and 5 air quality control system projects.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to summarize the status of PEF's implementation of the Crystal River CAIR Project, including the variance between actual 2010 Estimated/Actual Projection and the 2010 Projected expenditures submitted in Docket No. 090007-EI.

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

A. The Crystal River CAIR Project has met the in-service dates set forth in the Integrated Clean Air Compliance Plan approved by the Commission in Docket No. 070007-EI. Over the past year, we have achieved several significant project milestones including:

- Crystal River Unit 4 SCR in service in May 2010; and;

- Crystal River Unit 4 FGD in service in May 2010

All of the environmental equipment set forth in PEF's Commission-approved Integrated Clean Air Compliance Plan has been placed in-service. The Crystal River CAIR Project is now focused on bringing the project to a close.

Q. How do the estimated/actual project expenditures for the Crystal River CAIR Project compare with PEF's projection project expenditures for the period January 2010 to December 2010?

A. The Estimated/Actual total capital expenditures for the Crystal River CAIR Projects in 2010 are $61.6 million, which is approximately $3.5 million or 6% higher than PEF's 2010 Projection filing. The difference is primarily attributable to work carried forward from 2009 to 2010, a revised cost of removal estimate for retired equipment and additional labor costs.

Q. How do the estimated/actual capital investment activities for the Crystal River CAIR Project compare with PEF's original projections for the period January 2010 to December 2010?

A. PEF is projecting capital investment activities to be $29.4 million or 15% lower for this program than originally projected. This variance is mainly attributable to the change in the Weighted Average Cost of Capital approved in the 2010 Rate Case (Docket No. 090079-EI), and the change in depreciation rates approved in Order PSC-10-0131-FOF-EI.

Q. Does this conclude your testimony?

A. Yes, it does.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF

<u>DAVID SORRICK</u>

ON BEHALF OF

PROGRESS ENERGY FLORIDA

DOCKET NO. 100007-EI

AUGUST 2, 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. What are your responsibilities in that position?

A. As Vice President of PEF's Power Generation organization, my responsibilities include overall leadership and strategic direction of PEF's power generation fleet.

My major duties and responsibilities include developing and implementing strategic and tactical plans to operate and maintain PEF's non-nuclear generation fleet; recommend major modifications and additions to the generation fleet; major maintenance programs; outage and project management;

support services for the fleet; recommending retirement of generation facilities; asset allocation; workforce planning and staffing; organizational alignment and design; continuous business improvements; retention and inclusion; succession planning; overseeing hundreds of employees and hundreds of millions of dollars in assets and capital and operating budgets.

Q. Please describe your educational background and professional experience.

A. I earned a Bachelor of Science degree in Electrical Engineering from the University of Tennessee at Chattanooga in 1986 and an MBA from the University of South Florida in 2006. I am also a Florida Registered Professional Engineer and Licensed Electrical Contractor.

I have 20 years of power plant and production experience in various engineering, supervisory, managerial and executive positions within Progress Energy managing Fossil Steam Operations, Combustion Turbine (CT) Operations, and CT Services as well as new plant construction. While at Progress Energy, I have managed new unit projects from construction to operations and I have extensive contract negotiation and management experience with Progress Energy and General Electric. My prior experience also includes nuclear engineering positions at Tennessee Valley Authority and project management experience with General Electric.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to explain material variances between the Estimated/Actual project O&M expenditures and the original cost projections for environmental compliance costs associated with PEF's, Integrated Clean Air Compliance Program for the period January 2010 through December 2010.

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

A. I am responsible for the CAIR Crystal River Project No. 7.4 O&M costs.

Q. How do the estimated/actual project expenditures for the CAIR Crystal River (Project 7.4) compare with PEF's projection project expenditures for the period January 2010 to December 2010?

A. PEF is projecting O&M expenditures to be $1,441,464 or 6% lower for this program than originally projected. This variance is being driven by a $6,293,665 decrease in CAIR Crystal River Project 7.4 – Energy and a $4,852,201 increase in CAIR Crystal River Project 7.4 – Base.

Q. Please explain the variance between the Estimated/Actual project expenditures and the original projections for the CAIR Crystal River (Project No. 7.4 – Energy) for the period January 2010 to December 2010.

A. The $6,293, 665 decrease in the project is due to PEF's success in increasing the beneficial reuse of synthetic gypsum in the production of Portland Cement and Wallboard allowing higher sales of gypsum than originally forecasted. Furthermore, the decrease in the ammonia consumption rate as well as the delay of initial operation of the Acid Mist Mitigation System until summer 2010 resulted in costs being lower than originally projected.

Q. **Please explain the variance between the Estimated/Actual project expenditures and the original projections for the CAIR Crystal River (Project No. 7.4 – Base) for the period January 2010 to December 2010.**

A. The $4,852,201 increase in the project is primarily attributable to PEF gaining a better understanding of the daily operational requirements on the new air emission controls that were placed into service; as well as the finalization of maintenance contracts. At the time of the original 2010 projection, Unit 5 had been in-service for approximately two months. As PEF gained experience operating this equipment, we continued to evaluate the associated O&M costs and the methodology used in estimating these costs. PEF determined the best approach to project the O&M costs associated with Units 4 and 5 were to use actual expenses from Unit 5. The actual expenses from several months of operation of Unit 5 became the basis for the combined estimated expenses for both Units 4 and 5. These actual expenses, plus the projected expenses contributed to the increase.

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

A. Yes it does.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF

<u>DAVID SORRICK</u>

ON BEHALF OF

PROGRESS ENERGY FLORIDA

DOCKET NO. 100007-EI

AUGUST 27, 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?

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

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

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

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

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

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

A. PEF estimates that $28,916,838 in O&M costs will be spent to support the operation and maintenance of the new air emissions controls that were installed at the Crystal River Energy Complex as outlined in the PEF Integrated Clean Air Compliance Plan. Labor costs are expected to be $6,863,473. This estimate is based upon current staffing levels which were developed after review of similar operations outside of Progress Energy as well as comparison of similar units within the Company. Administrative and General (A&G) expenses of $14,851 related to the incremental positions that were created for support of the

Integrated Clean Air Compliance Program. Contractor expenses are expected to be $5,154,330 for such activities as post-construction modifications not covered by warrantee, new chimney maintenance, limestone and gypsum handling, urea handling, cleaning of pond systems, additional security, gypsum sampler and sample analysis, truck scale maintenance, and contracted equipment maintenance and repairs. Miscellaneous costs for tools and equipment, rental equipment and other employee costs are estimated at $753,352, with parts and materials expected to be $2,860,000. Reagent costs (net gypsum sales / disposal, limestone, urea / ammonia, and dibasic acid) are expected to total $13,270,832.

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

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

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

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

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

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

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

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

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

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

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

A. The personnel selected to operate and maintain the CAIR equipment had to meet specific job-related qualifications in order to qualify for the positions they were selected to perform. Some employees were hired from outside companies and they came to Progress Energy with previous experience operating this type equipment from other utilities. Some operations employees were selected to participate in an apprentice program. These employees must complete a 2 to 4 year training program before they are fully qualified workers. This training includes a mix of classroom and hands-on training that helps the employee progress through different levels of task proficiency. Maintenance employees were selected based on their skills and experience.

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

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

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

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

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

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

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

A. Yes it does.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF

THOMAS G. FOSTER

ON BEHALF OF

PROGRESS ENERGY FLORIDA

DOCKET NO. 100007-EI

AUGUST 2, 2010

(REVISED OCTOBER 7, 2010)

Q. Please state your name and business address.

A. My name is Thomas G. Foster. 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 Service Company, LLC as Supervisor of Regulatory Planning Florida.

Q. What are your responsibilities in that position?

A. I am responsible for regulatory planning and cost recovery for Progress Energy Florida, Inc. ("PEF"). These responsibilities include: regulatory financial reports; and analysis of state, federal and local regulations and their impact on PEF. In this capacity, I am also responsible for PEF's Estimated/Actual and Projection filings in the Environmental Cost Recovery Clause (ECRC).

Q. Please describe your educational background and professional experience.

A. I joined Progress Energy on October 31, 2005 as a Senior Financial analyst in the Regulatory group. In that capacity I supported the preparation of testimony and exhibits associated with various Dockets. In late 2008, I was promoted to Supervisor Regulatory Planning. Prior to working at Progress I was the Supervisor in the Fixed Asset group at Eckerd Drug. In this role I was responsible for ensuring proper accounting for all fixed assets as well as various other accounting responsibilities. I have 6 years of experience related to the operation and maintenance of power plants obtained while serving in the United States Navy as a Nuclear operator. I received a Bachelors of Science degree in Nuclear Engineering Technology from Thomas Edison State College. I received a Masters of Business Administration with a focus on finance from the University of South Florida and I am a Certified Public Accountant in the State of Florida.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present, for Commission review and approval, Progress Energy Florida's Estimated/Actual True-up costs associated with Environmental Compliance activities for the period January 2010 through December 2010.

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

A. Yes. I am sponsoring the following exhibits:

1. Exhibit No. __TGF-1, which consists of PSC Forms 42-1E through 42-9E; and
2. Exhibit No. __TGF-2, which provides details of capital projects by site.

These forms provide a summary and detail of the Estimated/Actual True-up O&M and Capital Environmental costs and revenue requirements for the period January 2010 through December 2010.

Q. What is the Estimated/Actual True-up amount for which PEF is requesting recovery for the period of January 2010 through December 2010?

A. The Estimated/Actual True-up amount for 2010 is an over-recovery, including interest, of $34,319,509 as shown in Exhibit No. __ (TGF-1), Form 42-1E, Line 4. This amount will be added to the final true-up over-recovery of $4,562,177 for 2009 shown on Form 42-2E, Line 7-a, resulting in a net over-recovery of $38,881,686 as shown on Form 42-2E, Line 11. The detailed calculations supporting the estimated true-up for 2010 are contained in Forms 42-1E through 42-8E.

Q. Are any of the costs listed in Forms 42-1E through 42-8E attributable to Environmental Compliance projects that have not previously been approved by the Commission?

A. No, with the exception of the ICR program for Effluent Limitation Guidelines discussed and supported in the testimony of Ms. Patricia Q. West.

Q. What capital structure, components and cost rates did Progress Energy Florida rely upon to calculate the revenue requirement rate of return for the period January 2010 through December 2010.

A. The capital structure, components and cost rates relied upon to calculate the revenue requirement rate of return for the period January 2010 through December 2010 are shown on page 42-9E. Page 42-9E includes the derivation of debt and equity components used in the Return on Average Net Investment, lines 7 (a) and (b), on Form 42-8E included in Exhibit TGF-1. The schedule also cites all sources and includes the rationale for using the particular capital structure and cost rates.

Q. How do the Estimated/Actual O&M expenditures for January 2010 through December 2010 compare with original projections?

A. Form 42-4E shows that total O&M project costs are projected to be $6,660,516 or 13% higher than originally projected. Following are variance explanations for those O&M projects with significant variances. Individual project variances are provided on Form 42-4E.

O&M Project Variances:

1. **Transmission and Distribution Substation Environmental Investigation, Remediation, and Pollution Prevention (Project #1) - O&M**

   O&M project expenditures for the Substation System Program are estimated to be $7,471,465 or 360% higher than originally projected. As discussed in the testimony of Corey Zeigler, this variance is primarily attributable to higher amounts of subsurface contamination encountered at the remediation sites.

2. Pipeline Integrity Management (Project #2) – O&M

PEF is projecting O&M expenditures to be $108,129 or 9% lower for this program than originally projected. As discussed in the testimony of Ms. West, this variance is mainly attributable to a reprioritization in pipeline resources.

3. Emissions Allowances (Project #5) – O&M

SO2 expenses are estimated to be $1,379,220 or 14% higher than originally projected. This variance is primarily driven by higher than projected energy requirements during the first quarter of 2010 due to significantly cooler weather then originally projected.

4. CAIR Crystal River- Energy (Project #7.4) – O&M

Total O&M project costs are estimated to be $1,441,464 or 6% lower than originally projected. As discussed in the testimony of David Sorrick, This variance is being driven by a $6,293,665 decrease in CAIR Project 7.4 – Energy and a $4,852,201 increase in CAIR Project 7.4 – Base.

5. Arsenic Groundwater Standard (Project #8) – O&M

Total O&M project costs are estimated to be $20,000 or 100% higher than originally forecasted. As discussed in Ms. West's testimony, this variance is mainly attributable to the continued assessment of the groundwater quality at Crystal River as directed by the Florida Department of Environmental Protection (FDEP).

6. Modular Cooling Towers (Project #11) – O&M

Total O&M project costs are estimated to be $818,717 or 20% lower than originally projected. This variance is mainly attributable to the shift in the demobilization costs of the modular cooling towers from 2010 until 2011. This shift is due to the work on the Thermal Discharge Permanent Cooling Tower being reprojected until 2011 to correspond with the timing of the next refueling outage at Crystal River Unit 3.

7. Hazardous Air Pollutants ICR Program (Project #14) – O&M

Total O&M project costs are estimated to be $400,000.

8. Effluent Limitation Guidelines ICR Program (Project #15) - O&M

Total O&M project costs are estimated to be $60,000. As discussed in the testimony of Patricia West, PEF filed a petition requesting recovery of costs associated with the Effluent Limitation Guidelines ICR. The Program was created in response to Section 304 of the federal Clean Water Act which directs the U.S. EPA to develop and periodically review regulations, called effluent guidelines, to limit the amount of pollutant that are discharged to surface waters from various point source categories.

Q. How do the Estimated/Actual Capital recoverable investments for January 2010 through December 2010 compare with PEF's original projections?

A. Total recoverable capital investments itemized on Form 42-6E, are projected to be $29,373,398 or 15% lower than originally projected. Below are variance explanations for those approved Capital Investment Projects with significant variances. Individual project variances are provided on Form 42-6E. Return on Capital Investment, Depreciation and Taxes for each project for the Estimated/Actual period are provided on Form 42-8E, pages 1 through 15.

Capital Investment Project Variances:

1. **Pipeline Integrity Management Program (Project #3.1) – Capital**
   PEF is projecting capital investment activities to be $116,066 or 20% lower for this program than originally projected. This variance is mainly attributable to the change in the Weighted Average Cost of Capital approved in the 2010 Rate Case (Docket No. 090079-EI), and the change in depreciation rates approved in Order PSC-10-0131-FOF-EI.

2. **CAIR (Project #7.x) – Capital**
   PEF is projecting capital investment activities to be $29,366,599 or 15% lower for this program than originally projected. This variance is mainly

attributable to the change in the Weighted Average Cost of Capital approved in the 2010 Rate Case (Docket No. 090079-EI), and the change in depreciation rates approved in Order PSC-10-0131-FOF-EI.

Q. Does this conclude your testimony?

A. Yes, it does.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF

THOMAS G. FOSTER

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 Thomas G. Foster. 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 Service Company, LLC, as Supervisor of Regulatory Planning Florida.

Q. Have you previously filed testimony before this Commission in this proceeding?

A. Yes, I have.

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

A. Yes.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present, for Commission review and approval, PEF's calculation of the revenue requirements and its ECRC factors for application on customer billings during the period January 2011 through December 2011. My testimony addresses the capital and operating and maintenance ("O&M") expenses associated with PEF's environmental compliance activities for the year 2011 and actions to date related to its emission allowance procurement strategy as part of its Integrated Clean Air Compliance Plan for complying with the Clean Air Interstate Rule (CAIR) and related regulatory requirements.

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

A. Yes. I am sponsoring the following exhibits:

1. Exhibit No. __(TGF-3), which consists of PSC Forms 42-1P through 42-8P; and
2. Exhibit No. __(TGF-4), which provides details of four capital projects by site.

The following individuals will also be co-sponsors of Forms 42-5P pages 1 through 16 as indicated in their testimony:

- Mr. Zeigler will co-sponsor Forms 42-5P pages 1, 2 and 9;
- Ms. West will co-sponsor Forms 42-5P pages 3, 4, 6, 8, 10, 11, 12, 13 14, 15 and 16; and

- Mr. Sorrick will co-sponsor Forms 42-5P page 7.

Q. What is the total recoverable revenue requirement relating to the projection period January 2011 through December 2011?

A. The total recoverable revenue requirement including true-up amounts and revenue taxes is $174,303,552 as shown on Form 42-1P, Line 5 of Exhibit No. __(TGF-3).

Q. What is the total true-up to be applied in the period January 2011 through December 2011?

A. The total true-up applicable for this period is an over-recovery of $38,881,686. This consists of the final true-up of over-recovery of $4,562,177 for the period from January 2009 through December 2009 and an estimated true-up over-recovery of $34,319,509 for the current period of January 2010 through December 2010. The detailed calculation supporting the estimated true-up was provided on Forms 42-1E through 42-8E of Exhibit No. __ (TGF-1) filed with the Commission on October 7, 2010.

Q. Are all the costs listed in Forms 42-1P through 42-7P attributable to Environmental Compliance projects previously approved by the Commission?

A. Yes. PEF's 2011 ECRC projections include the following projects that have been previously approved by the Commission:

The Substation and Distribution System O&M programs (Nos. 1 and 2) were previously approved by the Commission in Order No. PSC-02-1735-FOF-EI.

The Pipeline Integrity Management Program (No. 3) and the Above Ground Tank Secondary Containment Program (No. 4) were previously approved in Order No. PSC-03-1348-FOF-EI.

The recovery of SO_2 Emission Allowances (No. 5) was previously approved in Order No. PSC-95-0450-FOF-EI; however, the costs were moved to the ECRC Docket from the Fuel Docket beginning January 1, 2004 at the request of Staff to be consistent with the other Florida investor owned utilities.

The Phase II Cooling Water Intake 316(b) Program (No. 6) was previously approved in Order No. PSC-04-0990-PAA-EI.

PEF's Integrated Clean Air Compliance Plan (Program No.7), which the Commission approved as a prudent and reasonable means of complying with CAIR and related regulatory requirements in Order No. PSC-07-0922-FOF-EI.

The Arsenic Groundwater Standard Program (No. 8), the Sea Turtle Lighting Program (No. 9), and the Underground Storage Tanks Program (No. 10) were previously approved in Order No. PSC-05-1251-FOF-EI.

The Modular Cooling Tower Program (No. 11) was previously approved by the Commission in Order No. PSC-07-0722-FOF-EI.

The Crystal River Thermal Discharge Compliance Project (No. 11.1) and the Greenhouse Gas Inventory and Reporting Project (No. 12) were previously approved in Order No. PSC-08-0775-FOF-EI.

The Total Maximum Daily Loads for Mercury Project (No. 13) was previously approved in Order No. PSC-09-0759-FOF-EI.

The Hazardous Air Pollutants (HAPs) ICR Project (No. 14) was previously approved in Docket No. 100025-EI.

Q. Have you prepared schedules showing the calculation of the recoverable O&M project costs for 2011?

A. Yes. Form 42-2P contained in Exhibit No. __(TGF-3) summarizes the recoverable O&M cost estimates for these projects in the amount of $46,998,896.

Q. Have you prepared schedules showing the calculation of the recoverable capital project costs for 2011?

A. Yes. Form 42-3P contained in Exhibit No. __(TGF-3), summarizes the cost estimates projected for these projects. Form 42-4P, pages 1 through 15, shows the calculations of these costs that result in recoverable jurisdictional capital costs of $166,060,934.

Q. Have you prepared schedules providing the description and progress reports for all environmental compliance activities and projects?

A. Yes. Form 42-5P, pages 1 through 16, contained in Exhibit No. __(TGF-3) which provides each project description and progress, as well as the projected recoverable cost estimates.

Q. What is the total projected jurisdictional costs for environmental compliance activities in the year 2011?

A. The total jurisdictional capital and O&M costs of $213,059,829 to be recovered through the ECRC, are calculated on Form 42-1P, contained in Exhibit No. __(TGF-3).

Q. Please describe how the proposed ECRC factors were developed.

A. The ECRC factors were calculated as shown on Forms 42-6P and 42-7P contained in Exhibit No. __(TGF-3). The demand component of class allocation factors were calculated by determining the percentage each rate class contributes to the monthly system peaks and then adjusted for losses for each rate class. This information was obtained from PEF's July 2009 load research study. The energy allocation factors were calculated by determining the percentage each rate class contributes to total kilowatt-hour sales and then adjusted for losses for each rate class. Form 42-7P presents the calculation of the proposed ECRC billing factors by rate class.

Q. Have you made any changes in how the costs associated with the Integrated Clean Air Compliance Plan (Project 7) are being allocated to the different rate classes?

A. Yes. Project 7 capital and O&M costs are being allocated to the retail rate classes on an energy basis as opposed to a production demand basis as approved in Order PSC-09-0759-FOF-EI in Docket 090007. Previously, pursuant to the settlement in Docket 050078, PEF was allocating the costs of this project to the rate classes on a demand basis.

Q. What are PEF's proposed 2011 ECRC billing factors by the various rate classes and delivery voltages?

A. The computation of PEF's proposed ECRC factors for customer billings in 2011 is shown on Form 42-7P, contained in Exhibit No. __(TGF-3). In summary, these factors are as follows:

RATE CLASS	ECRC FACTORS 12CP & 1/13AD
Residential	0.491 cents/kWh
General Service Non-Demand	
@ Secondary Voltage	0.482 cents/kWh
@ Primary Voltage	0.477 cents/kWh
@ Transmission Voltage	0.472 cents/kWh
General Service 100% Load Factor	0.463 cents/kWh
General Service Demand	
@ Secondary Voltage	0.471 cents/kWh
@ Primary Voltage	0.466 cents/kWh
@ Transmission Voltage	0.462 cents/kWh
Interruptible	
@ Secondary Voltage	0.464 cents/kWh
@ Primary Voltage	0.459 cents/kWh
@ Transmission Voltage	0.455 cents/kWh
Curtailable	
@ Secondary Voltage	0.451 cents/kWh
@ Primary Voltage	0.446 cents/kWh
@ Transmission Voltage	0.442 cents/kWh
Lighting	0.470 cents/kWh

Q. When is PEF requesting that the proposed ECRC billing factors be made effective?

A. PEF is requesting that its proposed ECRC billing factors be made effective with the first bill group for January 2011 and continue through the last bill group for December 2011.

Q. Please summarize your testimony.

A. My testimony supports the approval of an average environmental billing factor of 0.480 cents per kWh which includes projected capital and O&M revenue requirements of $213,059,829 associated with a total of 15 environmental projects and a true-up over-recovery provision of $38,881,686. My testimony also demonstrates that the projected environmental expenditures for 2011 are appropriate for recovery through the ECRC.

Q. Does this conclude your testimony?

A. Yes, it does.

TAMPA ELECTRIC COMPANY
DOCKET NO. 100007-EI
FILED: 04/01/10

BEFORE THE PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

HOWARD T. BRYANT

Q. Please state your name, address, occupation and employer.

A. My name is Howard T. Bryant. My business address is 702 North Franklin Street, Tampa, Florida 33602. I am employed by Tampa Electric Company ("Tampa Electric" or "Company") in the position of Manager, Rates in the Regulatory Affairs Department.

Q. Please provide a brief outline of your educational background and business experience.

A. I graduated from the University of Florida in June 1973 with a Bachelor of Science degree in Business Administration. I have been employed at Tampa Electric since 1981. My work has included various positions in Customer Service, Energy Conservation Services, Demand Side Management ("DSM") Planning, Energy Management and Forecasting, and Regulatory Affairs. In my current position, I am responsible for the company's Energy Conservation Cost Recovery ("ECCR") clause, the

Environmental Cost Recovery Clause ("ECRC"), and retail rate design.

Q. Have you previously testified before the Florida Public Service Commission ("Commission")?

A. Yes. I have testified before this Commission on ECRC activities since 2001 as well as conservation and load management activities, DSM goals setting, DSM plan approval dockets and other ECCR dockets since 1993.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to present, for Commission review and approval, the actual true-up amount for the ECRC and the calculations associated with the environmental compliance activities for the January 2009 through December 2009 period.

Q. Did you prepare any exhibits in support of your testimony?

A. Yes. Exhibit No. _____ (HTB-1) consists of eight forms prepared under my direction and supervision.

- Form 42-1A, Document No. 1, Final true-up for the January 2009 through December 2009 period;
- Form 42-2A, Document No. 2, provides the detailed calculation of the actual true-up for the period;
- Form 42-3A, Document No. 3, provides details to the calculation of the interest provision for the period;
- Form 42-4A, Document No. 4, reflects the calculation of variances between actual and actual/estimated costs for O&M activities;
- Form 42-5A, Document No. 5, provides a summary of actual monthly O&M activity costs for the period;
- Form 42-6A, Document No. 6, provides details of the calculation of variances between actual and actual/estimated costs for capital investment projects;
- Form 42-7A, Document No. 7, presents a summary of actual monthly costs for capital investment projects for the period;
- Form 42-8A, Document No. 8, pages 1 through 25, consist of the calculation of depreciation expenses and return on capital investment for each project that is being recovered through the ECRC, and page 26 calculates the net expenses associated with maintaining an SO_2 allowance inventory.

Q. What is the source of the data presented by way of your testimony or exhibits in this process?

A. Unless otherwise indicated, the actual data is taken from the books and records of Tampa Electric. The books and records are kept in the regular course of business in accordance with generally accepted accounting principles and practices, and provisions of the Uniform System of Accounts as prescribed by this Commission.

Q. What is the actual true-up amount Tampa Electric is requesting for the January 2009 through December 2009 period?

A. Tampa Electric has calculated and is requesting approval of an under-recovery of $8,447,817 as the actual true-up amount for the January 2009 through December 2009 period.

Q. What is the adjusted net true-up amount Tampa Electric is requesting for the January 2009 through December 2009 period which is to be applied in the calculation of the environmental cost recovery factors to be refunded/(recovered) in the 2010 projection period?

A. Tampa Electric has calculated an over-recovery of $831,312 reflected on Form 42-1A, as the adjusted net true-up amount for the January 2009 through December 2009 period. This adjusted net true-up amount is the difference between the actual under-recovery and the actual/estimated under-recovery for the January 2009 through December 2009 period as depicted on Form 42-1A. The actual true-up amount for the January 2009 through December 2009 period is an under-recovery of $8,447,817 as compared to the $9,279,129 actual/estimated under-recovery amount approved in Commission Order No. PSC-09-0759-FOF-EI issued November 18, 2009.

Q. Are all costs listed in Forms 42-4A through 42-8A attributable to environmental compliance projects approved by the Commission?

A. All costs listed in Forms 42-4A through 42-8A for which Tampa Electric is seeking recovery are attributable to environmental compliance projects approved by the Commission. However, Form 42-8A, page 20, provides expenditures associated with Big Bend Units 1 Selective Catalytic Reduction ("SCR") project and is only included at this time for identification and tracking purposes. Recovery of these expenditures is not included in the

2009 ECRC True-Up. Consistent with the Commission's decisions in Docket Nos. 980693-EI, 040007-EI, 040750-EI and 041376-EI, the company will not seek recovery of the SCR project costs associated with these Commission approved environmental compliance projects until each project is placed in-service. Big Bend Unit 4 SCR was approved in Docket No. 040750-EI, Order No. PSC-04-0986-PAA-EI and went in-service May 2007. Big Bend Units 1 through 3 SCRs were approved in Docket No. 041376-EI, Order No. PSC-05-0502-PAA-EI. Unit 3 went in-service July 2008, Unit 2 in September 2009 and Unit 1 is projected to go in-service May 2010.

Q. Did Tampa Electric include costs in its 2009 final ECRC true-up filing for any environmental projects that were not anticipated and included in its 2009 factors?

A. No.

Q. How did actual expenditures for the January 2009 through December 2009 period compare with Tampa Electric's actual/estimated projections as presented in previous testimony and exhibits?

A. As shown on Form 42-4A, total O&M activities costs were

$2,278,660 or 13.8 percent less than the actual/estimated projections. Form 42-6A shows the total capital investment costs were $773,365 or 1.8 percent lower than the actual/estimated projections. O&M and capital investment projects with material variances from the 2009 Actual/Estimated True-Up filing are explained below.

O&M Project Variances

- **SO_2 Emissions Allowances:** The SO_2 Emission Allowances project variance was $442,957 or 117.3 percent less than projected. The variance was due to less allowances sold than originally projected.
- **Big Bend PM Minimization and Monitoring:** The Big Bend PM Minimization and Monitoring project variance was $66,521 or 14.2 percent less than projected due to fewer outage inspections and improved precipitator performance.
- **Big Bend NO_x Emissions Reduction:** The Big Bend NO_x Emissions Reduction project variance was $136,106 or 37.6 percent less than projected due to lower than anticipated costs for testing and contractor activities.
- **Big Bend Unit 4 SOFA:** The Big Bend Unit 4 SOFA project variance was $50,000 or 194.4 percent lower than projected due to a reduced outage schedule which resulted in no activity for 2009. There was also an inadvertent accounting error that was corrected in January 2009.

- **Big Bend Unit 1 Pre-SCR**: The Big Bend Unit 1 Pre-SCR project did not incur any expenses as originally projected due to other system maintenance priorities. No impact to the operations of the equipment occurred. Work was deferred to early 2010.
- **Clean Water Act Section 316(b) Phase II Study**: The Clean Water Act Section 316(b) Phase II Study was $22,854 or 48.4 percent less than projected due to costs being less than anticipated.
- **Big Bend Unit 2 SCR**: The Big Bend Unit 2 SCR project variance was $440,238 or 60.4 percent less than projected due to an extended outage schedule caused by a turbine failure which resulted in lower ammonia consumption.
- **Big Bend Unit 3 SCR**: The Big Bend Unit 3 SCR project variance was $279,392 or 19.4 percent less than projected due to lower ammonia consumption combined with lower ammonia pricing.
- **Big Bend Unit 4 SCR**: The Big Bend Unit 4 SCR project variance was $85,399 or 12.6 percent less than projected due to lower ammonia consumption combined with lower ammonia pricing.
- **Clean Air Mercury Rule**: The Clean Air Mercury Rule project variance was $13,529 or 83.2 percent less than projected due to the delay in anticipated baseline data collection needed for the impending rule changes.

Capital Investment Project Variances

- **Big Bend Unit 2 SCR:** The Big Bend Unit 2 SCR project variance was $763,917 or 15.6 percent less than projected due to the delay of commercial operation.

Q. Does this conclude your testimony?

A. Yes, it does.

TAMPA ELECTRIC COMPANY
DOCKET NO. 100007-EI
FILED: 04/27/10

BEFORE THE PUBLIC SERVICE COMMISSION

SUPLEMENTAL DIRECT TESTIMONY

OF

HOWARD T. BRYANT

Q. Please state your name, address, occupation and employer.

A. My name is Howard T. Bryant. My business address is 702 North Franklin Street, Tampa, Florida 33602. I am employed by Tampa Electric Company ("Tampa Electric" or "Company") in the position of Manager, Rates in the Regulatory Affairs Department.

Q. Did you recently file testimony in this docket in connection with Tampa Electric's Environmental Cost Recovery Clause ("ECRC")?

A. Yes. On April 1, 2010, I submitted testimony presenting Tampa Electric's actual true-up costs associated with the company's environmental compliance activities for the January 2009 through December 2009 period.

Q. What is the purpose of your supplemental testimony?

A. The purpose of my supplemental testimony is to present the capital structure, components and cost rates Tampa Electric relied upon to calculate the revenue requirement rate of return applied to capital investments included in the company's 2009 ECRC True-up.

Q. Did you prepare an exhibit in support of your supplemental testimony?

A. Yes. My Exhibit No. _____ (HTB-1-Supp), consisting of Form 42-9A, was prepared by me or under my direction and supervision.

Q. What capital structure, components and cost rates did Tampa Electric rely upon to calculate the revenue requirement rate of return for the January 2009 through December 2009 period?

A. As a result of Tampa Electric's new capital structure approved by the Commission in Docket No. 080317-EI, Tampa Electric relied upon two different capital structures during 2009. For the period January 1, 2009 through May 6, 2009, the capital structure, components and cost rates relied upon by the company to calculate the revenue requirement rate of return are found on Form 42-9A, page 1 of 2. For the period May 7, 2009 through December 31, 2009, the capital structure, components and cost rates relied upon by the company to calculate the revenue requirement rate of return are found on Form 42-9A, page 2 of 2.

Q. Does this conclude your supplemental testimony?

A. Yes, it does.

TAMPA ELECTRIC COMPANY
DOCKET NO. 100007-EI
FILED: 08/02/10

BEFORE THE PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

HOWARD T. BRYANT

Q. Please state your name, address, occupation and employer.

A. My name is Howard T. Bryant. My business address is 702 North Franklin Street, Tampa, Florida 33602. I am employed by Tampa Electric Company ("Tampa Electric" or "Company") in the position of Manager, Rates in the Regulatory Affairs Department.

Q. Please provide a brief outline of your educational background and business experience.

A. I graduated from the University of Florida in June 1973 with a Bachelor of Science degree in Business Administration. I have been employed at Tampa Electric since 1981. My work has included various positions in Customer Service, Energy Conservation Services, Demand Side Management ("DSM") Planning, Energy Management and Forecasting, and Regulatory Affairs. In my current position I am responsible for the company's Energy Conservation Cost Recovery ("ECCR") clause, the

Environmental Cost Recovery Clause ("ECRC"), and retail rate design.

Q. Have you previously testified before the Florida Public Service Commission ("Commission")?

A. Yes. I have testified before this Commission on conservation and load management activities, DSM goals setting and DSM plan approval dockets, and other ECCR dockets since 1993, and ECRC activities since 2001.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to present, for Commission review and approval, the calculation of the January 2010 through December 2010 estimated true-up amount to be refunded or recovered through the ECRC during January 2011 through December 2011. My testimony addresses the recovery of capital and operations and maintenance ("O&M") costs associated with environmental compliance activities for 2010, based on six months of actual data and six months of estimated data. This information will be used to determine the environmental cost recovery factors for January 2011 through December 2011.

Q. Have you prepared an exhibit that shows the determination of the recoverable environmental costs for the period January 2010 through December 2010?

A. Yes. Exhibit No. _____ (HTB-2), containing eight documents, was prepared under my direction and supervision. It includes Forms 42-1E through 42-9E which show the current period estimated true-up amount to be used in calculating the cost recovery factors for January 2011 through December 2011.

Q. What has Tampa Electric calculated as the estimated true-up for the current period to be applied to the January 2011 through December 2011 ECRC factors?

A. The estimated true-up applicable for the current period, January 2010 through December 2010, is an over-recovery of $3,155,800. A detailed calculation supporting the estimated true-up is shown on Forms 42-1E through 42-8E of my exhibit.

Q. Is Tampa Electric including costs in this estimated true-up filing for any environmental projects that were not anticipated and included in its 2010 factors?

A. Yes. Tampa Electric is including modest costs associated with its Greenhouse Gas ("GHG") Reduction Program approved by the Commission in Docket No. 090508-EI, Order No. PSC-10-0157-PPA-EI, issued March 22, 2010. Due to the timing of Tampa Electric's petition and the Commission approval, projected costs for the GHG Reduction Program were not included in the company's 2010 ECRC factors.

Q. What depreciation rates were utilized for the capital projects contained in the 2010 Actual/Estimated True-Up?

A. Tampa Electric utilized the depreciation rates approved in Order No. PSC-08-0014-PAA-EI issued on January 4, 2008 in Docket No. 070284-EI.

Q. What capital structure, components and cost rates did Tampa Electric rely on to calculate the revenue requirement rate of return for January 2010 through December 2010?

A. Tampa Electric relied upon the new capital structure approved by the Commission in Docket No. 080317-EI, to calculate the revenue requirement rate of return found on Form 42-9E.

Q. How did the actual/estimated project expenditures for January 2010 through December 2010 period compare with the company's original projection?

A. As shown on Form 42-4E, total O&M activities were $730,545 less than projected costs. Total capital expenditures itemized on Form 42-6E, were $1,814,469 lower than originally projected. O&M and capital investment projects with material variances are explained below.

O&M Project Variances

- **SO_2 Emission Allowances:** The SO_2 Emission Allowances project variance is estimated to be $425,880 or 75.6 percent less than projected. The variance was due to fewer allowances consumed at a lower unit price than originally projected.
- **Big Bend PM Minimization and Monitoring:** The Big Bend PM Minimization and Monitoring project variance is estimated to be $33,111 or 7.0 percent less than projected due to fewer outage inspections and improved precipitator performance during the first half of the year.
- **Big Bend NO_x Emissions Reduction:** The Big Bend NO_x Emissions Reduction project variance is estimated to be $73,137 or 18.5 percent more than originally projected

due to increased maintenance.

- **Gannon Thermal Discharge Study:** The Gannon Thermal Discharge Study project variance is estimated to be $10,000 or 33.3 percent lower than originally projected. The variance is due to the timing of requests for additional information from Florida Department of Environmental Protection ("FDEP").
- **Polk NO_x Emissions Reduction:** The Polk NO_x Emissions Reduction project variance is estimated to be $189,797 or 379.6 percent lower than originally projected due to the sale of NO_x emissions which offset maintenance activities.
- **Big Bend Unit 1 Pre-SCR:** The Big Bend Unit 2 Pre-SCR project variance is estimated to be $52,835 or 70.4 percent lower that originally projected due to other system maintenance priorities. No impact to the operations of the equipment occurred.
- **Big Bend Unit 2 Pre-SCR:** The Big Bend Unit 3 Pre-SCR project variance is estimated to be $31,000 or 100.0 percent lower that originally projected due to the timing of project activities. The project is anticipated to be on target by year end.
- **Big Bend Unit 3 Pre-SCR:** The Big Bend Unit 1 Pre-SCR project variance is estimated to be $31,000 or 100.0 percent lower that originally projected due to timing of project activities. The project is anticipated to be on

target by year end.

- **Clean Water Act Section 316(b) Phase II Study**: The Clean Water Act Section 316(b) Phase II Study project variance is estimated to be $17,235 or 28.7 percent less than projected. The variance is due to costs being less than anticipated and the timing of requests for additional information from FDEP.
- **Arsenic Groundwater Standard Program:** The Arsenic Groundwater Standard Program variance is estimated to be $8,790 or 17.6 percent more than what was originally projected due to requests for additional information from FDEP.
- **Big Bend Unit 2 SCR:** The Big Bend Unit 2 SCR project variance is estimated to be $388,175 or 23.3 percent less than originally projected due to the outage schedule resulting in lower ammonia consumption.
- **Big Bend Unit 3 SCR:** The Big Bend Unit 3 SCR project variance is estimated to be $309,100 or 18.5 percent less than originally projected due to a decrease in the usage of ammonia.
- **Big Bend Unit 4 SCR:** The Big Bend Unit 4 SCR project variance is estimated to be $420,531 or 54.0 percent more than originally projected due to the increased cost and usage of ammonia as well as less outage days than anticipated.

- **Clean Air Mercury Rule:** The Clean Air Mercury Rule project variance is expected to be $95,159 or 1189.5 percent greater than projected due to the Environmental Protection Agency's ("EPA") Information Collection Request requiring extensive air emission testing at Polk Power Station and Big Bend Station. EPA is collecting data in support of Clean Air Act National Emission Standards for Hazardous Air Pollutant rulemaking that is under way.
- **GHG Reduction Program:** The GHG Reduction Program variance is expected to be $158,405 due to the final scope of EPA's GHG reporting rule requiring expanded scope and implementation of Tampa Electric's environmental management software. Also, as previously stated, the timing of the company's petition and the Commission's approval did not allow for the program to be included in the company's 2010 projection filing.

__Capital Investment Project Variances__

- **Big Bend Unit 1 SCR:** The Big Bend Unit 1 SCR project variance is estimated to be $895,959 or 9.8 percent less than the original projection due to the coordination of contractor labor and activities.
- **Big Bend FGD System Reliability:** The Big Bend System Reliability program variance is estimated to be $90,510

or 5.6 percent less than originally projected due to costs associated with mist eliminator project being lower than anticipated.

Q. Does this conclude your testimony?

A. Yes, it does.

TAMPA ELECTRIC COMPANY
DOCKET NO. 100007-EI
FILED: AUGUST 27, 2010

BEFORE THE PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

HOWARD T. BRYANT

Q. Please state your name, address, occupation and employer.

A. My name is Howard T. Bryant. My business address is 702 North Franklin Street, Tampa, Florida 33602. I am employed by Tampa Electric Company ("Tampa Electric" or "company") as Manager, Rates in the Regulatory Affairs Department.

Q. Please provide a brief outline of your educational background and business experience.

A. I graduated from the University of Florida in June 1973 with a Bachelor of Science degree in Business Administration. I have been employed at Tampa Electric since 1981. My work has included various positions in Customer Service, Energy Conservation Services, Demand Side Management ("DSM") Planning, Energy Management and Forecasting, and Regulatory Affairs. In my current position I am responsible for the company's Energy Conservation Cost Recovery ("ECCR") clause, the

Environmental Cost Recovery Clause ("ECRC"), and retail rate design.

Q. Have you previously testified before the Florida Public Service Commission ("Commission")?

A. Yes. I have testified before this Commission on conservation and load management activities, DSM goals setting and DSM plan approval dockets, and other ECCR dockets since 1993, and ECRC activities since 2001.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to present, for Commission review and approval, the calculation of the revenue requirements and the projected ECRC factors for the period of January 2011 through December 2011. In support of the projected ECRC factors, my testimony identifies the capital and operating and maintenance ("O&M") costs associated with environmental compliance activities for the year 2011.

Q. Have you prepared an exhibit that shows the determination of recoverable environmental costs for the period of January 2011 through December 2011?

A. Yes. Exhibit No. ____ (HTB-3), containing eight documents, was prepared under my direction and supervision. Document Nos. 1 through 8 contain Forms 42-1P through 42-8P, which show the calculation and summary of O&M and capital expenditures that support the development of the environmental cost recovery factors for 2011.

Q. Are you requesting Commission approval of the projected environmental cost recovery factors for the company's various rate schedules?

A. Yes. The ECRC factors, prepared under my direction and supervision, are provided in Exhibit No. ____ (HTB-3), Document No. 7, on Form 42-7P. These annualized factors will apply for the period January through December 2011.

Q. What has Tampa Electric calculated as the net true-up to be applied in the period January 2011 through December 2011?

A. The net true-up applicable for this period is an over-recovery of $3,987,112. This consists of the final true-up over-recovery of $831,312 for the period of January 2009 through December 2009 and an estimated true-up over-recovery of $3,155,800 for the current period of January 2010 through December 2010. The detailed calculation supporting the estimated net true-up was provided on Forms 42-1E through 42-9E of Exhibit No. ___ (HTB-2) filed with the Commission on August 2, 2010.

Q. What was the major contributing factor that created the net over-recovery to be applied to the company's ECRC rates for the period January 2011 through December 2011?

A. The major contributing factor that created the net over-recovery was due to the combination of O&M and capital project expenditures being less than anticipated.

Q. Will Tampa Electric include any new environmental compliance projects for ECRC cost recovery for the period from January 2011 through December 2011?

A. Yes. Tampa Electric is including modest costs associated with its Greenhouse Gas ("GHG") Reduction Program approved by the Commission in Docket No. 090508-EI, Order No. PSC-10-0157-PPA-EI, issued March 22, 2010.

Q. What are the existing capital projects included in the calculation of the ECRC factors for 2011?

A. Tampa Electric proposes to include for ECRC recovery the 26 previously approved capital projects and their projected costs in the calculation of the ECRC factors for 2011. These projects are:

1) Big Bend Unit 3 Flue Gas Desulfurization ("FGD") Integration
2) Big Bend Units 1 and 2 Flue Gas Conditioning
3) Big Bend Unit 4 Continuous Emissions Monitors
4) Big Bend Fuel Oil Tank 1 Upgrade
5) Big Bend Fuel Oil Tank 2 Upgrade
6) Phillips Tank No. 1 Upgrade
7) Phillips Tank No. 4 Upgrade
8) Big Bend Unit 1 Classifier Replacement
9) Big Bend Unit 2 Classifier Replacement
10) Big Bend Section 114 Mercury Testing Platform
11) Big Bend Units 1 and 2 FGD
12) Big Bend FGD Optimization and Utilization
13) Big Bend NO_x Emissions Reduction
14) Big Bend Particulate Matter ("PM") Minimization and Monitoring
15) Polk NO_x Emissions Reduction
16) Big Bend Unit 4 SOFA
17) Big Bend Unit 1 Pre-SCR
18) Big Bend Unit 2 Pre-SCR

19) Big Bend Unit 3 Pre-SCR
20) Big Bend Unit 1 SCR
21) Big Bend Unit 2 SCR
22) Big Bend Unit 3 SCR
23) Big Bend Unit 4 SCR
24) Big Bend FGD Reliability
25) Clean Air Mercury Rule
26) SO_2 Emission Allowances

Some of these projects are described in more detail in the direct testimony of Tampa Electric Witness, Paul Carpinone.

Q. Have you prepared schedules showing the calculation of the recoverable capital project costs for 2011?

A. Yes. Form 42-3P contained in Exhibit No. ___ (HTB-3) summarizes the cost estimates projected for these projects. Form 42-4P, pages 1 through 26, provides the calculations of the costs, which result in recoverable jurisdictional capital costs of $60,102,337.

Q. What are the existing O&M projects included in the calculation of the ECRC factors for 2011?

A. Tampa Electric proposes to include for ECRC recovery the 22 previously approved O&M projects and their projected costs in the calculation of the ECRC factors for 2011. These projects are:

1) Big Bend Unit 3 FGD Integration
2) Big Bend Units 1 and 2 Flue Gas Conditioning
3) SO_2 Emissions Allowances
4) Big Bend Units 1 and 2 FGD
5) Big Bend PM Minimization and Monitoring
6) Big Bend NO_x Emissions Reduction
7) NPDES Annual Surveillance Fees
8) Gannon Thermal Discharge Study
9) Polk NO_x Emissions Reduction
10) Bayside SCR and Ammonia
11) Big Bend Unit 4 SOFA
12) Big Bend Unit 1 Pre-SCR
13) Big Bend Unit 2 Pre-SCR
14) Big Bend Unit 3 Pre-SCR
15) Clean Water Act Section 316(b) Phase II Study
16) Arsenic Groundwater Standard Program
17) Big Bend Unit 4 SCR
18) Big Bend Unit 3 SCR
19) Big Bend Unit 2 SCR
20) Big Bend Unit 1 SCR

21) Clean Air Mercury Rule
22) Greenhouse Gas Reduction Program

Some of these projects are described in more detail in the direct testimony of Tampa Electric Witness, Paul Carpinone.

Q. Have you prepared schedules showing the calculation of the recoverable O&M project costs for 2011?

A. Yes. Form 42-2P contained in Exhibit No. ___ (HTB-3) summarizes the recoverable jurisdictional O&M costs for these projects which total $19,905,131 for 2011.

Q. Do you have a schedule providing the description and progress reports for all environmental compliance activities and projects?

A. Yes. Project descriptions and progress reports, as well as the projected recoverable cost estimates, are provided in Form 42-5P, pages 1 through 32.

Q. What are the total projected jurisdictional costs for environmental compliance in the year 2011?

A. The total jurisdictional O&M and capital expenditures to be recovered through the ECRC are calculated on Form 42-1P. These expenditures total $80,007,468.

Q. How were environmental cost recovery factors calculated?

A. The environmental cost recovery factors were calculated as shown on Schedules 42-6P and 42-7P. The demand allocation factors were calculated by determining the percentage each rate class contributes to the monthly system peaks and then adjusted for losses for each rate class. The energy allocation factors were determined by calculating the percentage that each rate class contributes to total MWH sales and then adjusted for losses for each rate class. This information was based on applying historical rate class load research to the 2011 projected forecast of system demand and energy. Form 42-7P presents the calculation of the proposed ECRC factors by rate class.

Q. What are the ECRC billing factors by rate class for the period of January through December 2011 which Tampa Electric is seeking approval?

A. The computation of the billing factors by metering voltage level is shown in Exhibit No. ___ (HTB-3) Document No. 7, Form 42-7P. In summary, the January through December 2011 proposed ECRC billing factors are as follows:

Rate Class	Factor by Voltage Level (¢/kWh)
RS Secondary	0.404
GS, TS Secondary	0.403
GSD, SBF	
Secondary	0.402
Primary	0.398
Transmission	0.394
IS	
Secondary	0.396
Primary	0.392
Transmission	0.388
LS1	0.402
Average Factor	0.403

Q. When does Tampa Electric propose to begin applying these environmental cost recovery factors?

A. The environmental cost recovery factors will be effective concurrent with the first billing cycle for January 2011.

Q. What capital structure, components and cost rates did Tampa Electric rely on to calculate the revenue requirement rate of return for January 2011 through December 2011?

A. Tampa Electric relied upon the new capital structure approved by the Commission in Docket No. 080317-EI, to calculate the revenue requirement rate of return found on Form 42-8P.

Q. Are the costs Tampa Electric is requesting for recovery through the ECRC for the period January 2011 through December 2011 consistent with criteria established for ECRC recovery in Order No. PSC-94-0044-FOF-EI?

A. Yes. The costs for which ECRC treatment is requested meet the following criteria:

1. Such costs were prudently incurred after April 13, 1993;
2. The activities are legally required to comply with a governmentally imposed environmental regulation enacted, became effective or whose effect was triggered after the company's last test year upon which rates are based; and,

3. Such costs are not recovered through some other cost recovery mechanism or through base rates.

Q. Please summarize your testimony.

A. My testimony supports the approval of a final average environmental billing factor credit of 0.403 cents per kWh. This includes the projected capital and O&M revenue requirements of $80,007,468 associated with a total of 32 environmental projects and a true-up over-recovery provision of $3,987,112 that is primarily driven by the O&M and capital expenditures being less than anticipated. My testimony also explains that the projected environmental expenditures for 2011 are appropriate for recovery through the ECRC.

Q. Does this conclude your testimony?

A. Yes, it does.

TAMPA ELECTRIC COMPANY
DOCKET NO. 100007
FILED: AUGUST 27, 2010

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

PAUL CARPINONE

Q. Please state your name, address, occupation and employer.

A. My name is Paul Carpinone. My business address is 702 North Franklin Street, Tampa, Florida 33602. I am employed by Tampa Electric Company ("Tampa Electric" or "company") as Director, Environmental Health & Safety in the Environmental Health and Safety Department.

Q. Please provide a brief outline of your educational background and business experience.

A. I received a Bachelor of Science degree in Water Resources Engineering Technology from the Pennsylvania State University in 1978. I have been a Registered Professional Engineer in the State of Florida and Pennsylvania since 1984. Prior to joining Tampa Electric, I worked for Seminole Electric Cooperative as a Civil Engineer in various positions and in environmental consulting. In February 1988, I joined Tampa Electric as a Principal Engineer, and I have primarily worked in the area of Environmental Health and Safety. In 2006, I became Director, Environmental Health and Safety. My responsibilities include the development and administration of the company's environmental, health and safety policies and goals. I am also responsible for ensuring resources, procedures and programs meet or surpass compliance with applicable environmental, health and safety requirements, and that rules and policies are in place and functioning appropriately and consistently throughout the company.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to demonstrate that the activities for which Tampa Electric seeks cost recovery through the Environmental Cost Recovery Clause ("ECRC") for the January 2011 through December 2011 projection period are activities necessary for the company to comply with various environmental requirements. Specifically, I will describe the ongoing activities that are associated with the Consent Final Judgment ("CFJ") entered into with the Florida Department of Environmental Protection ("FDEP") and the Consent Decree ("CD") lodged with the U.S. Environmental Protection Agency ("EPA") and the Department of Justice. I will also discuss other programs previously approved by the Commission for recovery through the ECRC as well as the suspension of the Clean Water Act Section 316(b) Phase II Study, the vacatur of the Clean Air Mercury Rule, and EPA's mandatory reporting rule for greenhouse gases.

Q. Please provide an overview of the ongoing environmental compliance requirements that are the result of the CFJ and the CD ("the Orders").

A. The general ongoing requirements of the Orders provide for further reductions of sulfur dioxide ("SO_2"), particulate matter ("PM") and nitrogen oxides ("NO_x") emissions at Big Bend Station.

Q. What do the Orders require for SO_2 emission reductions?

A. The Orders require Tampa Electric to create a plan for optimizing the availability and removal efficiency of the flue gas desulfurization systems ("FGD" or "scrubbers"). The plans were submitted to the EPA in two phases, and were approved in July 2000, and February 2001, respectively.

Phase I required Tampa Electric to work scrubber outages around the clock and to utilize contract labor, when necessary, to speed the return of a malfunctioning scrubber to service. In addition, Phase I required Tampa Electric to review all critical scrubber spare parts and increase the number and availability of spare parts to ensure a speedy return to service of a malfunctioning scrubber.

Phase II outlined capital projects Tampa Electric was to perform to upgrade each scrubber at Big Bend Station. It also addressed the use of environmental dispatching in the event of a scrubber outage. All of the preliminary SO_2 emission reduction projects have been completed. However, additional work will occur in 2011 associated with the Big Bend Units 1 and 2 FGD and Big Bend FGD System Reliability programs to comply with the elimination of the allowed scrubber outage days for 2013.

Q. What do the Orders require for PM emission reductions?

A. The Orders require Tampa Electric to develop and implement a best operational practices ("BOP") study to minimize PM emissions from each electrostatic precipitator ("ESP") and complete and implement a best available control technology ("BACT") analysis of the

ESPs at Big Bend Station. The Orders also require the company to demonstrate the operation of a PM continuous emission monitoring system ("CEM") on Big Bend Units 3 and 4 and demonstrate the operation of a second PM CEM on another Big Bend unit. Pursuant to the Orders, the installation of the second PM CEM was required on or before May 1, 2007, if the first PM CEM had been shown to be feasible and remained in operation and if Tampa Electric advised the EPA that it had elected to continue to combust coal in Big Bend Units 1, 2 and 3. The first PM CEM was installed in February 2002. The installation and certification of the second PM CEM was completed in August 2009. The replacement to the PM CEM in operation will be installed in September of 2010 and certification activity will begin following installation as required by the Orders.

Q. Please describe the Big Bend PM Minimization and Monitoring program activities and provide the estimated capital and O&M expenditures for the period of January 2011 through December 2011.

A. The Big Bend PM Minimization and Monitoring program was approved by the Commission in Docket No. 001186-EI, Order No. PSC-00-2104-PAA-EI, issued November 6, 2000. In the

Order, the Commission found that the program met the requirements for recovery through the ECRC. Tampa Electric had previously identified various projects to improve precipitator performance and reduce PM emissions as required by the Orders. In 2011, there will be O&M expenses associated with existing and recently installed BOP and BACT equipment and continued implementation of the BOP procedures. These activities are expected to result in approximately $479,200 of O&M expenses.

Q. What do the Orders require for NO_x reductions?

A. The Orders require Tampa Electric to perform NO_x emission reductions projects on Big Bend Units 1, 2 and 3 and pursuant to an amendment, for Big Bend Unit 4 projects to be substituted for Big Bend Unit 3 projects. The NO_x emission reductions use the 1998 NO_x emissions as the baseline year for determining the level of reduction achieved. Tampa Electric was also required by the Orders to demonstrate innovative technologies or provide additional NO_x technologies beyond those required by the early NO_x emission reduction activities.

Q. Please describe the Big Bend NO_x Emission Reduction program activities and provide the estimated capital and

O&M expenses for the period of January 2011 through December 2011.

A. The Big Bend NO_x Emission Reduction program was approved by the Commission in Docket No. 001186-EI, Order No. PSC-00-2104-PAA-EI, issued November 6, 2000. In the Order, the Commission found that the program met the requirements for recovery through the ECRC. In 2011, Tampa Electric will perform maintenance on the previously approved and installed NO_x Reduction equipment. This activity is expected to result in approximately $396,000 of O&M expenses.

Q. Please describe long-term NO_x requirements associated with the Orders and Tampa Electric's efforts to comply with the requirements.

A. The Orders require Big Bend Unit 4 to begin operating with a Selective Catalytic Reduction ("SCR") system or other NO_x control technology, be repowered, or shut down and scheduled for dismantlement by June 1, 2007. Big Bend Units 3, 2 and/or 1 must either begin operating with an SCR system or other NO_x control technology, be repowered, or be shut down and scheduled for dismantlement one unit per year by May 1, 2008, May 1, 2009 and May 1, 2010, respectively.

In order to meet the NO_x emission rates and timing requirements of the Orders, Tampa Electric engaged an experienced consulting firm, Sargent and Lundy, to assist with the performance of a comprehensive study designed to identify the long-range plans for the generating units at Big Bend Station. The results of the study clearly indicated that the option to remain coal-fired at Big Bend Station and install the necessary NO_x reduction technologies is the most cost-effective alternative to satisfy the NO_x emission reductions required by the Orders. This decision was communicated to the EPA and FDEP in August 2004. Tampa Electric also apprised the Commission of this decision in its filing made in Docket No. 040750-EI in August 2004.

Q. Please describe the Big Bend Units 1 through 3 Pre-SCR and the Big Bend Units 1 through 4 SCR projects and provide estimated capital and O&M expenditures for the period of January 2011 through December 2011.

A. In Docket No. 040750-EI, Order No. PSC-04-0986-PAA-EI, issued October 11, 2004, the Commission approved cost recovery of the Big Bend Units 1 through 3 Pre-SCR and the

Big Bend Unit 4 SCR projects. The Big Bend Units 1 through 3 SCR projects were approved by the Commission in Docket No. 041376-EI, Order No. PSC-05-0502-PAA-EI, issued May 9, 2005. The purpose of the Pre-SCR technologies is to reduce inlet NO_x concentrations to the SCR systems, thereby mitigating overall SCR capital and O&M costs. These Pre-SCR technologies include neural networks, windbox modifications, secondary air controls and coal/air flow controls. The SCR projects at Big Bend Units 1 through 4 encompass the design, procurement, installation and annual O&M expenses associated with an SCR system for each unit.

The projected costs for the period of January 2011 through December 2011 for which Tampa Electric is seeking ECRC recovery are for the Big Bend Units 1 through 3 Pre-SCR and Big Bend Units 1, 2, 3 and 4 SCR capital and O&M expenditures associated with the engineering, procurement, construction, start-up, tuning, operation and ongoing maintenance for the projects. No capital or O&M expenditures are anticipated for Big Bend Units 1 through 3 Pre-SCR for 2011. Big Bend Unit 4 SCR was placed in-service May 2007. There are no anticipated capital expenditures for 2011; however, the O&M expenses for this project are anticipated to be $758,200. Big Bend Unit 3

SCR was placed in-service July 2008. Capital expenditures of $2,000,000 for 2011 are anticipated for the replacement of the SCR catalyst along with O&M expenditures of $1,695,400. Big Bend Unit 2 SCR was placed in-service June 2009 and will have anticipated capital expenditures of $42,000 with O&M costs of $1,728,400 for 2011. Big Bend Unit 1 SCR was placed in service April 2010 and will have anticipated capital expenditures of $42,000 with O&M costs of $958,900 for 2011.

Q. Please identify and describe the other Commission approved programs you will discuss.

A. The programs previously approved by the Commission that I will discuss include:

1) Big Bend Unit 3 FGD Integration
2) Big Bend Units 1 and 2 FGD
3) Gannon Thermal Discharge Study
4) Bayside SCR Consumables
5) Big Bend Unit 4 Separated Over-fired Air ("SOFA")
6) Clean Water Act Section 316(b) Phase II Study
7) Big Bend FGD System Reliability
8) Arsenic Groundwater Standard
9) Clean Air Mercury Rule ("CAMR")

10) Greenhouse Gas ("GHG") Reduction Program

Q. Please describe the Big Bend Unit 3 FGD Integration and the Big Bend Units 1 and 2 FGD activities and provide the estimated capital and O&M expenditures for the period of January 2011 through December 2011.

A. The Big Bend Unit 3 FGD Integration program was approved by the Commission in Docket No. 960688-EI, Order No. PSC-96-1048-FOF-EI, issued August 14, 1996. The Big Bend Units 1 and 2 FGD program was approved by the Commission in Docket No. 980693-EI, Order No. PSC-99-0075-FOF-EI, issued January 11, 1999. In those Orders, the Commission found that the programs met the requirements for recovery through the ECRC. The programs were implemented to meet the SO_2 emission requirements of the Phase I and II Clean Air Act Amendments ("CAAA") of 1990.

The projected January 2011 through December 2011, O&M expenses for the Big Bend Unit 3 FGD Integration project are $5,154,400. No capital expenditures are anticipated for this project. The projected capital and O&M expenditures for the Big Bend Units 1 and 2 FGD project for January 2011 through December 2011 are $4,636,500 and $7,791,300, respectively.

Q. Please describe the Gannon Thermal Discharge Study program activities and provide the estimated capital and O&M expenditures for the period of January 2011 through December 2011.

A. The Gannon Thermal Discharge Study program was approved by the Commission in Docket No. 010593-EI, Order No. PSC-01-1847-PAA-EI, issued September 14, 2001. In that Order, the Commission found that the program met the requirements for recovery through the ECRC. For the period of January 2011 through December 2011, there will be no capital expenditures for this program. Tampa Electric anticipates O&M expenses will be approximately $30,000 for the period.

Q. Please describe the Bayside SCR Consumables program activities and provide the estimated capital and O&M expenditures for the period of January 2011 through December 2011.

A. The Bayside SCR Consumables program was approved by the Commission in Docket No. 021255-EI, Order No. PSC-03-0469-PAA-EI, issued April 4, 2003. For the period of January 2011 through December 2011, there will be no capital expenditures for this program. Tampa Electric anticipates O&M expenses associated with the consumable goods (primarily anhydrous ammonia) will be approximately $115,200 for the period.

Q. Please describe the Big Bend Unit 4 SOFA program activities and provide the capital and O&M expenditures for the period of January 2011 through December 2011.

A. The Big Bend Unit 4 SOFA program was approved by Commission for ECRC recovery in Docket No. 030226-EI, Order No. PSC-03-0684-PAA-EI, issued June 6, 2003. In that Order, the Commission found that the program met the requirements for recovery through the ECRC contingent upon Big Bend Unit 4 remaining coal fired. On August 19, 2004, Tampa Electric submitted a letter to the EPA declaring the intent for Big Bend Units 1 through 4 to remain coal fired and, as such, complied with the applicable provisions of the CD associated with the decision. The SOFA project was completed in 2004. For the period of January 2011 through December 2011, Tampa Electric anticipates will be no capital or O&M expenditures for this program.

Q. Please describe the Clean Water Act Section 316(b) Phase II Study program activities and provide the estimated capital and O&M expenditures for the period of January

2011 through December 2011.

A. The Clean Water Act Section 316(b) Phase II Study program was approved by the Commission in Docket No. 041300-EI, Order No. PSC-05-0164-PAA-EI, issued February 10, 2005. For the period of January 2011 through December 2011, there will be no capital expenditures for this program. EPA announced on March 20, 2007, that the rule adopted pursuant to Section 316(b) be considered suspended. The suspension of the final rule was made on July 9, 2007. Tampa Electric believes that the work will continue to be useful for purposes related to the Phase II Rule and does not intend to suspend the work because it would not be cost-effective or appropriate to do so. Therefore, Tampa Electric anticipates O&M expenses associated with the sampling and study activities will be approximately $60,000 for the period.

Q. Please describe the Big Bend FGD System Reliability program activities and provide the estimated capital and O&M expenses for the period of January 2011 through December 2011.

A. Tampa Electric's Big Bend FGD System Reliability program was approved by the Commission in Docket No. 050598-EI, Order No. PSC-06-0602-PAA-EI, issued July 10, 2006. The Commission granted cost recovery approval for prudent costs associated with this project. The Big Bend FGD System Reliability project has been running concurrently with the installation of SCR systems on the generating units.

For the period of January 2011 through December 2011, the anticipated capital expenditures will be $12,140,500 however; no O&M expenditures are anticipated for this project.

Q. Please describe the Arsenic Groundwater Standard program activities and provide the estimated capital and O&M expenditures for the period of January 2011 through December 2011.

A. The Arsenic Groundwater Standard program was approved by the Commission in Docket No. 050683-EI, Order No. PSC-06-0138-PAA-EI, issued February 23, 2006. In that Order, the Commission found that the program met the requirements for recovery through the ECRC and granted Tampa Electric cost recovery approval for prudently incurred costs. The new groundwater standard applies to Tampa Electric's H.L. Culbreath Bayside, Big Bend and Polk Power Stations.

For the period of January 2011 through December 2011, there will be no capital expenditures for this program; however, Tampa Electric anticipates O&M expenses associated with the sampling activities will be approximately $170,000.

Q. Please describe the CAMR program activities and provide the estimated capital and O&M expenditures for the period of January 2011 through December 2011.

A. The CAMR program was approved by the Commission in Docket No. 060583-EI, Order No. PSC-06-0926-PAA-EI, issued November 6, 2006. In that Order, the Commission found that the program met the requirements for recovery through the ECRC and granted Tampa Electric cost recovery approval for prudently incurred costs.

On February 8, 2008, the Washington D.C. Circuit Court vacated EPA's rule removing power plants from the Clean Air Act list of regulated sources of hazardous air pollutants under section 112. At the same time, the Court vacated the Clean Air Mercury Rule. EPA is reviewing the Court's decisions and evaluating its impacts. Currently, the FDEP has begun mercury rulemaking this year that will likely have monitoring requirements comparable to CAMR.

Given the vacatur, capital spending for this program is anticipated to be complete in 2011 with monitoring to commence thereafter, using company resources. For the period of January 2011 through December 2011, the capital expenditures are anticipated to be $75,000 and the O&M expenditures to be $8,000.

Q. What is the impact of the recent remand of the CAIR and vacatur of the CAMR rules on Tampa Electric's ECRC projects?

A. The remand of CAIR should have minimal impact on Tampa Electric's ECRC projects associated with NO_x and SO_2 abatement. These projects were initiated as a result of the CD signed between EPA and Tampa Electric; therefore, the company anticipates continuing its efforts to complete and maintain the projects.

The vacatur of CAMR occurred after Tampa Electric had begun the procurement of equipment necessary to meet the intent of the original rule; however, the company was able to stop a significant portion of the total equipment purchase.

Tampa Electric anticipates a replacement to the CAMR rule to become effective in the near future therefore, during this time of review, the company plans to utilize the resources already secured to establish a baseline of mercury emissions.

Q. Please describe the GHG Reduction Program activities and provide the estimated capital and O&M expenditures for the period of January 2011 through December 2011.

A. Tampa Electric's GHG Reduction Program approved by the Commission in Docket No. 090508-EI, Order No. PSC-10-0157-PPA-EI, issued March 22, 2010 is a result of the EPA's Mandatory Reporting Rule requiring annual reporting of greenhouse gas emissions. In 2011 Tampa Electric will report greenhouse gas emissions to the EPA for the first time. This activity is expected to result in approximately $56,100 O&M expenses.

Q. Please summarize your testimony.

A. Tampa Electric's settlement agreements with FDEP and EPA require significant reductions in emissions from Tampa Electric's Big Bend and Gannon Stations. The Orders established definite requirements and time frames in which air quality improvements must be made and result in reasonable and fair outcomes for Tampa Electric, its community and customers, and the environmental agencies. My testimony identified projects that are legally required by these Orders. I described the progress Tampa Electric has made to achieve the more stringent environmental standards. I have identified estimated costs, by project, which the company expects to incur in 2011. Additionally, my testimony identified other projects that are required for Tampa Electric to meet the environmental requirements and I provided the associated 2011 activities and projected expenditures.

Q. Does this conclude your testimony?

A. Yes it does.

GULF POWER COMPANY

Before the Florida Public Service Commission
Prepared Direct Testimony and Exhibit of
James O. Vick
Docket No. 100007-EI
April 1, 2010

Q. Please state your name and business address.

A. My name is James O. Vick, and my business address is One Energy Place, Pensacola, Florida, 32520.

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

A. I am employed by Gulf Power Company as the Director of Environmental Affairs.

Q. Mr. Vick, will you please describe your education and experience?

A. I graduated from Florida State University, Tallahassee, Florida, in 1975 with a Bachelor of Science Degree in Marine Biology. I also hold a Bachelor's Degree in Civil Engineering from the University of South Florida in Tampa, Florida. In addition, I have a Masters of Science Degree in Management from Troy State University, Pensacola, Florida. In August 1978, I joined Gulf Power Company as an Associate Engineer and have since held various engineering positions with increasing responsibilities such as Air Quality Engineer, Senior Environmental Licensing Engineer, and Manager of Environmental Affairs. In 2003, I assumed my present position as Director of Environmental Affairs.

Q. What are your responsibilities with Gulf Power Company?

A. As Director of Environmental Affairs, my primary responsibility is overseeing the activities of the Environmental Affairs area to ensure the Company is, and remains, in compliance with environmental laws and regulations, i.e. both existing laws and such laws and regulations that may be enacted or amended in the future. In performing this function, I am responsible for numerous environmental activities.

Q. Are you the same James O. Vick who has previously testified before this Commission on various environmental matters?

A. Yes.

Q. Mr. Vick, what is the purpose of your testimony?

A. The purpose of my testimony is to support Gulf Power Company's Environmental Cost Recovery Clause (ECRC) final true-up for the period January through December 2009.

Q. Mr. Vick, please compare Gulf's recoverable environmental capital costs included in the final true-up calculation for the period January 2009 through December 2009 with the approved estimated true-up amounts.

A. As reflected in Mr. Dodd's Schedule 6A, the actual recoverable capital costs were $45,599,467 as compared to the estimated true-up total of $46,133,081. This resulted in a variance of ($533,614) or (1.2%). I will address three programs that contributed to the majority of this variance:

the Crist Water Conservation, CAIR/CAMR/CAVR Compliance, and Annual NOx Allowance programs.

Q. Please explain the ($47,154) or (78.7%) variance in the Crist Water Conservation Program (Line Item 1.24).

A. This variance is due to timing associated with placing portions of the Crist Water Conservation project in-service which resulted in lower carrying costs than originally projected. Gulf originally projected that $7.8 million of equipment would be placed in-service during December 2009; however, the equipment was not placed-in-service until January 2010.

Q. Please explain the ($632,812) or (4.7%) variance in the CAIR/CAMR/CAVR Compliance Program (Line Item 1.26).

A. This variance is primarily due to depreciation expenses being less than projected.

Q. Please explain the capital variance of $73,802 or 7.6% in Annual NOx Allowances (Line Item 1.29).

A. This variance was primarily due to a higher allowance inventory balance than projected, which resulted in higher carrying costs. Fewer allowances were surrendered because Gulf burned less coal than originally projected.

Q. How do the actual O&M expenses for the period January 2009 to December 2009 compare to the amounts included in the estimated true-up filing?

A. Mr. Dodd's Schedule 4A reflects that Gulf's recoverable environmental O&M expenses for the current period were $26,671,326, as compared to the estimated true-up of $34,067,772. This resulted in a variance ($7,396,446) or (21.7%) below the estimated true-up. I will address seven O&M projects and programs that contribute to this variance: Ash Pond Diversion Curtains, Sodium Injection, FDEP NOx Reduction Agreement, CAIR/CAMR/CAVR Compliance Program, Annual NOx Allowances, Seasonal NOx Allowances and SO_2 Allowances.

Q. Please explain the variance of ($684,477) or (68.2%) in (Line Item 1.14), Ash Pond Diversion Curtains.

A. For 2009, Line Item 1.14 included replacing the Plant Crist Ash Pond flow diversion curtains and dredging the ash pond. The variance in this line item is primarily due to project delays. The Plant Crist ash pond dredging is going slower than expected due to the amount of time need to settle total suspended solids and due to contractor scheduling conflicts. This project was expected to be completed in 2009; however, it will now be completed in 2010.

Q. Please explain the variance of ($66,153) or (37.6%) in the Sodium Injection program (Line Item 1.16).

A. The expenses that Gulf incurs for this program are dependent on the quantity and quality of coal burned at Plant Crist and Plant Smith. During 2009, the need for sodium injection was less than projected because Gulf burned a type of coal that did not require as much sodium and Gulf burned less coal than originally projected.

Q. Please explain the variance of ($696,214) or (28.5%) in, FDEP NOx Reduction Agreement (Line Item 1.19).

A. The FDEP NOx Reduction Agreement includes O&M costs associated with the Plant Crist Unit 7 SCR and the Crist Units 4 through 6 SNCR projects that were included as part of the 2002 agreement with FDEP. More specifically, this line item includes the cost of anhydrous ammonia, urea, air monitoring, and general operation and maintenance expenses related to the activities undertaken in connection with the agreement. This variance is due to a reduction in chemical expenses and a delay in the Crist Unit 7 SCR catalyst regeneration. Chemical expenses (urea and anhydrous ammonia) were lower than expected because the units did not run as much as originally projected. Development of the bid specification for the SCR catalyst regeneration took longer than anticipated; therefore, the first Unit 7 catalyst layer regeneration is now scheduled for 2010. This regenerated catalyst layer will be installed in 2011 as originally planned.

Q. Please explain the (56.5%) variance of ($1,547,835) in the CAIR/CAMR/CAVR Compliance Program, Line Item 1.20.

A. The CAIR/CAMR/CAVR Compliance Program currently includes O&M expenses associated with the Crist Units 4 through 7 scrubber, the Smith Units 1 and 2 SNCRs, and the Scholz mercury monitoring project. More specifically, this line item includes the cost of urea, limestone, and general operation and maintenance activities included in Gulf's CAIR/CAMR/CAVR Compliance Program. The line item variance is primarily due to less limestone being purchased in 2009 than originally expected. Plant Crist delayed filling the limestone silos to full capacity until 2010.

Q. Please explain the variance of (54.9 %) or ($4,344,085) in Emission Allowances (Line Items 1.22, 1.23, and 1.24).

A. This variance is due to Gulf surrendering fewer Annual NOx, Seasonal NOx and SO_2 allowances because Gulf burned less coal in 2009 than projected. In addition, the Annual NOx average cost per allowance was less than projected. In November 2009, FDEP awarded Gulf Power 4,318 supplemental pool allowances under the CAIR Annual NOx program. This receipt was a special one time award for early CAIR compliance for the Crist Unit 7 SCR. These allowances lowered Gulf's average cost of Annual NOx allowances

Q. Mr. Vick, does this conclude your testimony?

A. Yes.

GULF POWER COMPANY

Before the Florida Public Service Commission
Prepared Direct Testimony and Exhibit of
James O. Vick
Docket No. 100007-EI
August 2, 2010

Q. Please state your name and business address.

A. My name is James O. Vick, and my business address is One Energy Place, Pensacola, Florida, 32520.

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

A. I am employed by Gulf Power Company as the Director of Environmental Affairs.

Q. Mr. Vick, will you please describe your education and experience?

A. I graduated from Florida State University, Tallahassee, Florida, in 1975 with a Bachelor of Science Degree in Marine Biology. I also hold a Bachelor's Degree in Civil Engineering from the University of South Florida in Tampa, Florida. In addition, I have a Masters of Science Degree in Management from Troy State University, Pensacola, Florida. In August 1978, I joined Gulf Power Company as an Associate Engineer and have since held various engineering positions with increasing responsibilities such as Air Quality Engineer, Senior Environmental Licensing Engineer, and Manager of Environmental Affairs. In 2003, I assumed my present position as Director of Environmental Affairs.

Q. What are your responsibilities with Gulf Power Company?

A. As Director of Environmental Affairs, my primary responsibility is overseeing the activities of the Environmental Affairs area to ensure the Company is, and remains, in compliance with environmental laws and regulations, i.e. both existing laws and such laws and regulations that may be enacted or amended in the future. In performing this function, I am responsible for numerous environmental activities.

Q. Are you the same James O. Vick who has previously testified before this Commission on various environmental matters?

A. Yes.

Q. Mr. Vick, what is the purpose of your testimony?

A. The purpose of my testimony is to support Gulf Power Company's Environmental Cost Recovery Clause (ECRC) estimated true-up for the period January through December 2010. This true-up is based on six months of actual data and six months of estimated data.

Q. Mr. Vick, please compare Gulf's recoverable environmental capital costs included in the estimated true-up calculation for the period January 2010 through December 2010 with the approved projected amounts.

A. As reflected in Mr. Dodd's Schedule 6E, the recoverable capital costs approved in the original projection total $121,139,304 as compared to the estimated true-up amount of $128,112,677. This resulted in a variance of $6,973,373 or 5.8%. There are eight capital projects and programs that contributed to the majority of this variance: the Continuous Emission Monitoring System (CEMS) Program, Smith Water Conservation project, Crist FDEP Agreement for Ozone Attainment, Precipitator Upgrades for CAM Compliance, Crist Water Conservation project, CAIR/CAMR/CAVR Compliance program, Annual NOx Allowances, and SO2 Allowances. Several of these projects are impacted by the change in the Company's depreciation rates and dismantlement accruals made as a result of Gulf's comprehensive depreciation study and site-specific dismantlement study in Docket No. 090319-EI. The impacts shown in this filing reflect the Commission's decision in Order No. PSC-10-0458-PAA-EI, issued July 19, 2010 ("Depreciation Order").

Q. Please explain the capital variance of $215,909 or 23.3% in the Continuous Emissions Monitoring System (CEMS) Program (Line Item 1.5).

A. Approximately $50,000 of the variance is due to shifting the CEMS bypass projects at Plant Crist from 2011 into 2010. The remaining variance is primarily due to the carrying cost related to the emission monitoring equipment for the Plant Crist scrubber and depreciation expenses. The emissions monitoring equipment for the scrubber was originally budgeted under the CAIR/CAMR/CAVR Compliance Program. To be consistent with the classification of the other emission monitoring equipment associated with the CEMS program in the ECRC, Gulf has included the scrubber emission monitoring equipment in the CEMS Program line item. The increase in the carrying cost associated with this equipment in the CEMS line item is offset in the CAIR/CAMR/CAVR Compliance Program line item.

Q. Please explain the capital variance of ($73,440) or (72.9%) in the Smith Water Conservation Program (Line Item 1.17).

A. This variance is due to lower carrying cost than originally projected. Some of the expenditures projected for 2010 have been shifted to 2011 due to a change in reclaimed water disposal options as well as associated permitting required for the underground injection test well. Initially, Gulf assumed that Plant Smith could properly dispose of the used reclaimed water using a spray field. However, the on-site groundwater table and existing site hydrology makes it unacceptable as a spray irrigation site. As a result of the on-site hydrology conditions, underground injection was chosen as the proposed disposal option.

Q. Please explain the capital variance of $259,627 or 1.5% in the Crist FDEP Agreement for Ozone Attainment Program (Line Item 1.19).

A. This variance is primarily due to the increase resulting from implementation of the Depreciation Order.

Q. Please explain the capital variance of $160,926 or 4.1% in the Precipitator Upgrades for CAM Compliance (Line Item 1.22).

A. This variance is primarily due to the increase resulting from implementation of the Depreciation Order.

Q. Please explain the capital variance of $211,010 or 11.2% in the Crist Water Conservation Program (Line Item 1.24).

A. Gulf installed a cooling tower blowdown line to separate the previously combined discharge from the Plant Crist Units 6 and 7 cooling towers to meet Plant Crist NPDES permit requirements. This portion of the project was not included in 2010 projection filing which resulted in higher carrying costs than originally projected. An additional factor contributing to the variance is an increase in depreciation expense resulting from implementation of the new depreciation rates.

Q. Please explain the capital variance of $5,845,118 or 6.6% in the CAIR/CAMR/CAVR Compliance Program (Line Item 1.26).

A. This variance is due to the increase resulting from implementation of the Depreciation Order.

Q. Please explain the capital variance of $286,597 or 21.5 % in Annual NOx and SO2 Allowances (Line Items 1.29 and 1.31).

A. This variance is due to a higher allowance inventory balance at the beginning of the year than was originally projected in the 2010 Projection filing which is expected to continue throughout 2010. This results in higher carrying costs than were projected.

Q. How do the estimated/actual 2010 O&M expenses compare to the 2010 original projection?

A. Mr. Dodd's Schedule 4E reflects that Gulf's recoverable environmental O&M expenses for the current period are now estimated at $35,001,904 as compared to $40,176,524. This results in an estimated year-end variance of

($5,174,620) or (12.9%). I will address seven O&M projects and programs that contribute to this variance: Air Emissions Fees, General Water Quality, Ash Pond Diversion Curtains, CAIR/CAMR/CAVR Compliance Program, MACT ICR, Annual NOx Allowances and Seasonal NOx Allowances.

Q. Please explain the O&M variance of ($201,870) or (22.0%) in the Air Emission Fees (Line Item 1.2).

A. This variance is due to air emission fees being lower than expected due to the reduced operations of coal-fired units at some of Gulf's generating plants.

Q. Please explain the O&M variance of $210,759 or 47.7% in (Line Item 1.6) General Water Quality Program.

A. The variance is primarily due to the expenses associated with the effluent Information Collection Request (ICR). The Environmental Protection Agency (EPA) is in the process of revising the Federal Effluent Guidelines for NPDES surface water discharges for the Steam Electric Generating Industry (40 CFR Part 423). As part of this process, EPA has issued an ICR to every coal plant in the nation, including Gulf's plants. Gulf was not made aware of this request until late 2009; therefore, the related costs were not included in the 2010 Projection filing.

Q. Please explain the O&M variance of $739,668 in (Line Item 1.14), Ash Pond Diversion Curtains.

A. Line Item 1.14 includes replacing the Plant Crist Ash Pond flow diversion curtains and dredging the ash pond. This project was expected to be completed in 2009; however, it will not be completed until 2010. This resulted in an increase in 2010 expenses and a decrease in 2009 expenses as explained in the 2009 Final True-up. The Plant Crist ash pond dredging took longer than expected due to the amount of time needed to settle suspended solids and due to contractor scheduling conflicts.

Q. Please explain the O&M variance (27.5%) of ($5,696,087) in the CAIR/CAMR/CAVR Compliance Program, Line Item 1.20.

A. The CAIR/CAMR/CAVR Compliance Program currently includes O&M expenses associated with the Crist Units 4 through 7 scrubber, the Smith Units 1 and 2 SNCRs, and the Scholz mercury monitoring project. More specifically, this line item includes the cost of urea, limestone, and general operation and maintenance activities included in Gulf's CAIR/CAMR/CAVR Compliance Program. The line item variance is primarily due to Gulf projecting to purchase less limestone in 2010 than originally expected.

Q. Please explain the O&M variance of ($256,959) or (47.5%) in the MACT ICR Program (Line Item 1.21).

A. The MACT ICR Program variance is due to a change in the scope of work as finalized in EPA's ICR instructions. Plant Smith and Plant Daniel were removed from requirements to test for hazardous air pollutants and the number of units and parameters Plant Crist tested were significantly reduced.

Q. Please explain the O&M variance of 4.0% or $332,626 in Annual NOx Emission Allowances (Line Item 1.23).

A. This variance is due to Gulf surrendering more allowances than originally projected due to startup and bypass operations of the Plant Crist scrubber. EPA's emissions reporting protocol requires that Gulf disallow any credit for pollution control during these events. The EPA guidance on how these events should be addressed under the regulations was not established until after Gulf's projection filing. Gulf is installing continuous emission monitors in the Crist bypass stacks to eliminate these impacts in the future.

Q. Please explain the O&M variance of (50.3%) or ($216,125) in Seasonal NOx Emission Allowances (Line Item 1.24).

A. This variance is primarily due to a lower estimated cost of allowances surrendered compared to the cost originally projected. Gulf is now expecting to be able to operate within our existing inventory of allowances without the need to purchase additional allowances, which were included in the projection filing at an expected price above Gulf's existing inventory price.

Q. Mr. Vick, does this conclude your testimony?

A. Yes.

GULF POWER COMPANY

Before the Florida Public Service Commission

Prepared Direct Testimony of

James O. Vick

Docket No. 100007-EI

August 27, 2010

Q. Please state your name and business address.

A. My name is James O. Vick, and my business address is One Energy Place, Pensacola, Florida, 32520.

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

A. I am employed by Gulf Power Company as the Director of Environmental Affairs.

Q. Mr. Vick, will you please describe your education and experience?

A. I graduated from Florida State University, Tallahassee, Florida, in 1975 with a Bachelor of Science Degree in Marine Biology. I also hold a Bachelor's Degree in Civil Engineering from the University of South Florida in Tampa, Florida. In addition, I have a Masters of Science Degree in Management from Troy State University, Pensacola, Florida. I joined Gulf Power Company in August 1978 as an Associate Engineer. I have since held various engineering positions with increasing responsibilities such as Air Quality Engineer, Senior Environmental Licensing Engineer, and Manager of Environmental Affairs. In 2003, I assumed my present position as Director of Environmental Affairs.

Q. What are your responsibilities with Gulf Power Company?

A. As Director of Environmental Affairs, my primary responsibility is overseeing the activities of the Environmental Affairs section to ensure the Company is, and remains, in compliance with environmental laws and regulations, i.e., both existing laws and such laws and regulations that may be enacted or amended in the future. In performing this function, I have the responsibility for numerous environmental activities.

Q. Are you the same James O. Vick who has previously testified before this Commission on various environmental matters?

A. Yes.

Q. Mr. Vick, what is the purpose of your testimony?

A. The purpose of my testimony is to support Gulf Power Company's projection of environmental compliance costs recoverable through the Environmental Cost Recovery Clause (ECRC) for the period from January 2011 through December 2011.

Q. Mr. Vick, please identify the capital projects included in Gulf's ECRC projection filing.

A. The environmental capital projects for which Gulf seeks recovery through the ECRC are described in Schedules 3P, 4P, and 5P. I am supporting the expenditures, clearings, retirements, salvage and cost of removal currently projected for each of these projects and the costs for emission allowances. Mr. Dodd compiled these schedules and has calculated the associated revenue requirements for Gulf's requested recovery. Of the projects shown on Mr. Dodd's schedules, there are five projects that were previously approved by the Commission with expanded activities that have projected capital expenditures during 2011. Four of the projects are related to Gulf's existing Air Quality programs: the Crist 5, 6, & 7 Precipitator Projects, Continuous Emission Monitoring Systems (CEMS), the CAIR/CAVR Compliance Program, and Seasonal NOx Allowances. The Smith Reclaimed Water Project is also projected to have additional capital expenditures during 2011.

Q. Mr. Vick, please describe the project included in the 2011 projection for (Line Item 1.2) the Crist 5, 6, & 7 Precipitator Projects.

A. The Plant Crist Unit 6 precipitator project was originally undertaken in the early 1990's and approved for environmental cost recovery in Docket No. 930613-EI. Inspections of the Crist Unit 6 precipitator have indicated the precipitator internals will need to be replaced. Plant Crist began preliminary engineering and design to replace portions of the Plant Crist Unit 6 precipitator during 2010, as discussed and approved during the 2010 ECRC Projection filing. During the 2011 recovery period, Plant Crist will complete detailed design and award the construction bid package. Initial payments for long lead time items, such as transformers and the electrical supply building, will also be made during 2011. Initial payments will be submitted when the equipment is ordered. Prudently incurred costs associated with the Crist Unit 6 precipitator project were approved for inclusion in the ECRC in Order No. PSC-09-0759-FOF-EI. The 2011 projected expenditures for the Plant Crist Unit 6 precipitator project are $13.25 million.

Q. Mr. Vick, please describe the 2011 projected expenditures for the CEMS (Line Item 1.5).

A. During the 2011 recovery period, the CEMS project includes replacement of the Plant Crist Unit 7 flue gas monitoring dilution probes. The probes are part of the flue gas monitoring system which is used to measure the NOx concentration in the Selective Catalytic Reduction (SCR) inlet and outlet in order to control the amount of ammonia being injected into the Crist Unit 7 SCR. The existing probes are approaching the end of their useful life and will be retired upon replacement. The 2011 expenditures are expected to be $45,000.

Q. Mr. Vick, please describe the 2011 projected expenditures for the Smith Reclaimed Water Project.

A. The Smith Reclaimed Water Project is part of the Smith Water Conservation and consumptive use efficiency program (Line Item 1.17) required by the Plant Smith consumptive water use permit. Specific Condition nine of Plant Smith's consumptive use permit, issued by the Northwest Florida Water Management District (NWFWMD), requires the plant to implement measures to increase water conservation and efficiency at the facility. Utilizing reclaimed water would enable increased groundwater and surface water conservation as required in the consumptive use permit. On October 20, 2008, the NWFWMD issued a letter stating that re-use of reclaimed water clearly meets the requirements listed in Specific Condition nine of the permit.

Gulf must determine a suitable method to dispose of beneficially used reclaimed water prior to agreeing to accept reclaimed water from suppliers in the Bay County area. Gulf is investigating the feasibility of utilizing an underground injection well to dispose of used reclaimed water at Plant Smith. During 2011 the Plant Smith Reclaimed Water project will include completion of a test boring for the first potential injection well. Based on the geologic and hydraulic testing found in this well, Gulf will determine whether the existing site properties make it feasible for injection of used reclaimed water. Gulf will also make decisions on the completion of an additional injection well and the associated monitoring wells that would be required by the FDEP Underground Injection Control Group. The projected 2011 expenditures for this line item, totaling $7.80 million, include engineering, design, and equipment purchases.

Q. Mr. Vick, please describe the capital projects included in Gulf's CAIR/CAVR Compliance Program (Line Item 1.26) that will impact the 2011 projected ECRC revenue requirements.

A. For the purpose of the 2011 projection of ECRC revenue requirements in Mr. Dodd's testimony, $529,044 is projected to be cleared to plant-in-service for the CAIR/CAVR Compliance Program. The projected expenditures are for final invoicing and project close out costs related to the Plant Crist Unit 6 hydrated lime injection system that will be placed in-service during December of 2010, as part of the Crist Unit 6 SCR project. The Crist Unit 6 SCR construction permit requires Gulf Power to install a permanent hydrated lime injection system prior to the operation of the Unit 6 SCR. The hydrated lime injection system is being installed to reduce emissions of sulfuric acid mist.

Q. Mr. Vick, are you including the purchase of allowances in your 2011 projection filing?

A. Yes, we are currently projecting the need to purchase additional seasonal NOx allowances during 2011. Gulf's compliance strategy continues to include possible forward contracts, swaps, and spot market purchases of allowances depending on market prices.

Q. How do the Environmental Operation and Maintenance (O&M) activities listed on Schedule 2P of Mr. Dodd's Exhibit compare to the O&M activities approved for cost recovery in past ECRC proceedings?

A. All of the O&M activities listed on Schedule 2P have either been approved for recovery through the ECRC in past proceedings or are related to capital projects approved for ECRC recovery in past proceedings.

Q. Please describe the O&M activities included in the air quality category that have projected expenses during 2011.

A. There are five O&M activities included in the air quality category that have projected expenses in 2011. On Schedule 2P, Air Emission Fees

(Line Item 1.2), represents the expenses projected for the annual fees required by the Clean Air Act Amendments (CAAA) of 1990 that are payable to the FDEP and Mississippi Department of Environmental Quality. The expenses projected for the 2011 recovery period total $812,434.

Included in the air quality category, Title V (Line Item 1.3) represents projected ongoing expenses associated with implementation of the Title V permits. The total 2011 estimated expenses for the Title V Program are $121,032.

On Schedule 2P, Asbestos Fees (Line Item 1.4) consists of the fees required to be paid to the FDEP for asbestos abatement projects. The expenses projected for the recovery period total $1,200.

Emission Monitoring (Line Item 1.5) on Schedule 2P reflects an ongoing O&M expense associated with the Continuous Emission Monitoring equipment as required by the CAAA. These expenses are incurred in response to EPA's requirements that the Company perform Quality Assurance/Quality Control (QA/QC) testing for the CEMS, including Relative Accuracy Test Audits (RATAs) and Linearity Tests. The expenses expected to be incurred during the 2011 recovery period for these activities total $614,066.

The FDEP NOx Reduction Agreement (Line Item 1.19) includes O&M costs associated with the Plant Crist Unit 7 SCR and the Crist Units 4 through 6 Selective Non-Catalytic Reduction (SNCR) projects that were included as part of the 2002 agreement with FDEP. This line item includes the cost of anhydrous ammonia, urea, air monitoring, catalyst regeneration, and general O&M expenses related to the activities undertaken in connection with the agreement. Gulf was granted approval for recovery of the costs incurred to complete these activities in FPSC Order No. PSC-02-1396-PAA-EI in Docket No. 020943-EI. The projected expenses for the 2011 recovery period total $3,017,621.

Q. What O&M activities are included in the water quality category?

A. The first activity, General Water Quality (Line Item 1.6), identified in Schedule 2P, includes costs associated with Soil Contamination Studies, Dechlorination, Groundwater Monitoring, Surface Water Studies, the Cooling Water Intake Program, the Impaired Waters Rule, and Stormwater Maintenance. The expenses expected to be incurred during the projection period for this line item total $515,765.

Q. Mr. Vick, have there been any changes to the General Water Quality O&M line item (Line Item 1.6) due to new permit requirements?

A. Yes, on October 1, 2007, the FDEP Northwest District began implementing a new and more stringent stormwater regulation under the Environmental Resource Permitting (ERP) program. This regulation requires Gulf Power to construct and maintain stormwater management systems for new substation sites that are greater than one acre and for new impervious areas, such as access drives, that are greater than 0.09 acre. The projected 2011 ERP stormwater maintenance expenses are $15,000.

The second activity listed in the water quality category, Groundwater Contamination Investigation (Line Item 1.7), was previously approved for environmental cost recovery in Docket No. 930613-EI. This line item includes expenses related to substation investigation and remediation activities. Gulf has projected $1,804,355 of expenses for this line item during the 2011 recovery period.

Line Item 1.8, State National Pollutant Discharge Elimination System (NPDES) Administration, was previously approved for recovery in the ECRC and reflects expenses associated with NPDES annual and permit renewal fees for Gulf's three generating facilities in Florida. These expenses are expected to be $34,500 during the projected recovery period.

Finally, Line Item 1.9, Lead and Copper Rule, was also previously approved for ECRC recovery and reflects sampling, analytical, and chemical costs related to the lead and copper drinking water quality standards. These expenses are expected to total $16,000 during the 2011 projection period.

Q. What activities are included in the environmental affairs administration category?

A. Only one O&M activity is included in this category on Schedule 2P (Line Item 1.10) of Mr. Dodd's exhibit. This line item refers to the Company's Environmental Audit/Assessment function. This program is an on-going compliance activity previously approved for ECRC recovery. Expenses totaling $17,000 are expected during the 2011 recovery period.

Q. What O&M activities are included in the general solid and hazardous waste category?

A. This solid and hazardous waste activity involves the proper identification, handling, storage, transportation, and disposal of solid and hazardous wastes as required by federal and state regulations. The program includes expenses for Gulf's generating and power delivery facilities. This program is a previously approved program that is projected to incur incremental expenses totaling $416,237 in 2011.

Q. In addition to the four major O&M categories listed above, are there any other O&M activities which have been approved for recovery that have projected expenses?

A. Yes. There are five other O&M activities that have been approved in past proceedings which have projected expenses during 2011. They are the Above Ground Storage Tanks program, the Sodium Injection System, the CAIR/CAVR Compliance Program, Crist Water Conservation, and Emission Allowances.

Q. What O&M activities are included in the Above Ground Storage Tanks line item?

A. Above Ground Storage Tanks (Line Item 1.12) includes maintenance activities and fees required by Florida's above ground storage tank regulation, Chapter 62 Part 762, F.A.C. Expenses totaling $92,366 are projected to be incurred during 2011.

Q. What activity is included in the Sodium Injection line item?

A. The Sodium Injection System (Line Item 1.16) was originally approved for inclusion in the ECRC in Order No. PSC-99-1954-PAA-EI. The activities in this line item involve sodium injection to the coal supply that enhances precipitator efficiencies when burning certain low sulfur coals at Plant Crist and Plant Smith. The expenses projected for the 2011 recovery period total $229,200.

Q. What activities are included in the CAIR/CAVR Compliance Program (Line Item 1.20) activity?

A. This line item includes O&M expenses associated with the capital projects approved for ECRC recovery under the CAIR/CAVR Compliance Program. The projected 2011 expenses for this line item total approximately $22.43 million which includes $13.3 million for limestone costs associated with operation of the Plant Crist scrubber.

Q. What activities are included in the Crist Water Conservation line item (Line Item 1.22)?

A. Gulf has added an O&M line item (Line Item 1.22) associated with the previously approved Crist Water Conservation capital project. As discussed in previous ECRC filings, Gulf Power has entered into an agreement with the Emerald Coast Utilities Authority (ECUA) to begin utilizing reclaimed water from ECUA's proposed wastewater treatment plant to reduce the demand for groundwater and surface water withdrawals. Gulf expects to begin receiving reclaimed water from ECUA during September 2010. This line item includes general O&M expenses associated with the new Plant Crist reclaimed water system. The prudently incurred capital and O&M costs associated with the Plant Crist Water Conservation project were approved for inclusion in ECRC in FPSC Order No. PSC-08-0775-FOF-EI. The expenses projected for the 2011 recovery period are yet to be determined and will be addressed in the 2011 Estimated/Actual true-up filing.

Q. Please describe the emission allowance line items 1.23 through 1.25.

A. These line items include projected allowance expenses for Gulf's generation. Line Items 1.23 and 1.24 include projected expenses for annual and seasonal NOx allowances of approximately $3.24 million and $120,015, respectively. Line Item 1.25 includes approximately $1.93 million of projected expenses for SO_2 allowances expected to be incurred during 2011 for both CAIR and Acid Rain compliance.

Q. Do each of the capital projects and O&M activities that have projected costs in 2011 meet the ECRC statutory guidelines?

A. Yes. The projects included in Gulf's 2011 ECRC projection filing meet the requirements of the ECRC statute and are consistent with the Commission's precedents regarding environmental cost recovery. Each of the capital projects and O&M activities set forth in Mr. Dodd's schedules include only prudent costs that are not recovered through some other cost recovery mechanism or base rates. The projected environmental costs are necessary to achieve and/or maintain compliance with environmental laws, rules, and regulations.

Q. Mr. Vick, does this conclude your testimony?
A. Yes.

GULF POWER COMPANY
Before the Florida Public Service Commission
Direct Testimony and Exhibit of
Richard W. Dodd
Docket No. 100007-EI
Date of Filing: April 1, 2010

Q. Please state your name, business address and occupation.

A. My name is Richard Dodd. My business address is One Energy Place, Pensacola, Florida 32520-0780. I am the Supervisor of Rates and Regulatory Matters at Gulf Power Company.

Q. Please briefly describe your educational background and business experience.

A. I graduated from the University of West Florida in Pensacola, Florida in 1991 with a Bachelor of Arts Degree in Accounting. I also received a Bachelor of Science Degree in Finance in 1998 from the University of West Florida. I joined Gulf Power in 1987 as a Co-op Accountant and worked in various areas until I joined the Rates and Regulatory Matters area in 1990. After spending one year in the Financial Planning area, I transferred to Georgia Power Company in 1994 where I worked in the Regulatory Accounting department and in 1997 I transferred to Mississippi Power Company where I worked in the Rate and Regulation Planning department for six years followed by one year in Financial Planning. In 2004, I returned to Gulf Power Company working in the General Accounting area as Internal Controls Coordinator.

In 2007 I was promoted to Internal Controls Supervisor and in July 2008, I assumed my current position in the Rates and Regulatory Matters area. My responsibilities include supervision of: tariff administration, cost of service activities, calculation of cost recovery factors, and the regulatory filing function of the Rates and Regulatory Matters Department.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present the final true-up amount for the period January 2009 through December 2009 for the Environmental Cost Recovery Clause (ECRC).

Q. Have you prepared an exhibit that contains information to which you will refer in your testimony?

A. Yes, I have.

Counsel: We ask that Mr. Dodd's exhibit consisting of eight schedules be marked as Exhibit No. _____(RWD-1).

Q. Are you familiar with the ECRC true-up calculation for the period January through December 2009 set forth in your exhibit?

A. Yes. These documents were prepared under my supervision.

Q. Have you verified that to the best of your knowledge and belief the information contained in these documents is correct?

A. Yes.

Q. What is the amount to be refunded or collected in the recovery period beginning January 2011?

A. An amount to be refunded of $9,744,465 was calculated, which is reflected on line 3 of Schedule 1A of my exhibit.

Q. How was this amount calculated?

A. The $9,744,465 to be refunded was calculated by taking the difference between the estimated January 2009 through December 2009 over-recovery of $405,127 as approved in FPSC Order No. PSC-09-0759-FOF-EI, dated November 18, 2009, and the actual over-recovery of $10,149,592, which is the sum of lines 5 and 6 on Schedule 2A of my exhibit.

Q. Please describe Schedules 2A and 3A of your exhibit.

A. Schedule 2A shows the calculation of the actual over-recovery of environmental costs for the period January 2009 through December 2009. Schedule 3A of my exhibit is the calculation of the interest provision on the average true-up balance. This is the same method of calculating interest that is used in the Fuel Cost Recovery and Purchased Power Capacity Cost Recovery clauses.

Q. Please describe Schedules 4A and 5A of your exhibit.

A. Schedule 4A compares the actual O&M expenses for the period January 2009 through December 2009 with the estimated/actual O&M expenses approved in conjunction with the November 2009 hearing. Schedule 5A shows the monthly O&M expenses by activity, along with the calculation of jurisdictional O&M expenses for the recovery period. Emission allowance expenses and the amortization of gains on emission allowances are included with O&M expenses. Mr. Vick describes the main reasons for the variances in O&M expenses in his final true-up testimony.

Q. Please describe Schedules 6A and 7A of your exhibit.

A. Schedule 6A, for the period January 2009 through December 2009, compares the actual recoverable costs related to investment with the estimated/actual amount approved in conjunction with the November 2009 hearing. The recoverable costs include the return on investment, depreciation and amortization expense, dismantlement accrual, and property taxes associated with each environmental capital project for the recovery period. Recoverable costs also include a return on working capital associated with emission allowances. Schedule 7A provides the monthly recoverable costs associated with each project along with the calculation of the jurisdictional recoverable costs. Mr. Vick describes any major variances in recoverable costs related to environmental investment for this period in his final true-up testimony.

Q. Please describe Schedule 8A of your exhibit.

A. Schedule 8A includes 31 pages that provide the monthly calculations of the recoverable costs associated with each approved capital project for the recovery period. As I stated earlier, these costs include return on investment, depreciation and amortization expense, dismantlement accrual, property taxes, and the cost of emission allowances. Pages 1 through 27 of Schedule 8A show the investment and associated costs related to capital projects, while pages 28-31 show the investment and costs related to emission allowances.

Q. Mr. Dodd, does this conclude your testimony?

A. Yes.

GULF POWER COMPANY
Before the Florida Public Service Commission
Supplemental Testimony and Exhibit of
Richard W. Dodd
Docket No. 100007-EI
Date of Filing: April 13, 2010

Q. Please state your name, business address and occupation.

A. My name is Richard Dodd. My business address is One Energy Place, Pensacola, Florida 32520-0780. I am the Supervisor of Rates and Regulatory Matters at Gulf Power Company.

Q. Please briefly describe your educational background and business experience.

A. I graduated from the University of West Florida in Pensacola, Florida in 1991 with a Bachelor of Arts Degree in Accounting. I also received a Bachelor of Science Degree in Finance in 1998 from the University of West Florida. I joined Gulf Power in 1987 as a Co-op Accountant and worked in various areas until I joined the Rates and Regulatory Matters area in 1990. After spending one year in the Financial Planning area, I transferred to Georgia Power Company in 1994 where I worked in the Regulatory Accounting department and in 1997 I transferred to Mississippi Power Company where I worked in the Rate and Regulation Planning department for six years followed by one year in Financial Planning. In 2004, I returned to Gulf Power Company working in the General Accounting area as Internal Controls Coordinator.

In 2007 I was promoted to Internal Controls Supervisor and in July 2008, I assumed my current position in the Rates and Regulatory Matters area. My responsibilities include supervision of: tariff administration, cost of service activities, calculation of cost recovery factors, and the regulatory filing function of the Rates and Regulatory Matters Department.

Q. What is the purpose of your supplemental testimony?

A. The purpose of my supplemental testimony is to present the capital structure, components and cost rates Gulf used to calculate the revenue requirement rate of return applied to capital investment and working capital amounts included for recovery in the Environmental Cost Recovery Clause for the period January 2009 through December 2009.

Q. Have you prepared an exhibit that contains information to which you will refer in your testimony?

A. Yes, I have.

Counsel: We ask that Mr. Dodd's exhibit consisting of one schedule be marked as Exhibit No. _____(RWD-2).

Q. Mr. Dodd, what capital structure, components and cost rates did Gulf use to calculate the revenue requirement rate of return? A. In accordance with FPSC Order No. PSC-94-0044-FOF-EI, the rate of return used to develop the revenue requirements associated with ECRC investment is based on the capital structure and cost rates approved in Gulf's last rate case, Docket No.

010949-EI, FPSC Order No. PSC-02-0787-FOF-EI, dated June 10, 2002. Please see Schedule 1 of my exhibit for the derivation of debt and equity components.

Q. Mr. Dodd, does this conclude your testimony?
A. Yes.

GULF POWER COMPANY

Before the Florida Public Service Commission
Prepared Direct Testimony and Exhibit of
Richard W. Dodd
Docket No. 100007-EI
Date of Filing: August 2, 2010

Q. Please state your name, business address and occupation.

A. My name is Richard W. Dodd. My business address is One Energy Place, Pensacola, Florida 32520-0780. I am the Supervisor of Rates and Regulatory Matters at Gulf Power Company.

Q. Please briefly describe your educational background and business experience.

A. I graduated from the University of West Florida in Pensacola, Florida in 1991 with a Bachelor of Arts Degree in Accounting. I also received a Bachelor of Science Degree in Finance in 1998 from the University of West Florida. I joined Gulf Power in 1987 as a Co-op Accountant and worked in various areas until I joined the Rates and Regulatory Matters area in 1990. After spending one year in the Financial Planning area, I transferred to Georgia Power Company in 1994 where I worked in the Regulatory Accounting department and in 1997 I transferred to Mississippi Power Company where I worked in the Rate and Regulation Planning department for six years followed by one year in Financial Planning. In 2004 I returned to Gulf Power Company working in the General Accounting area as Internal Controls Coordinator.

In 2007 I was promoted to Internal Controls Supervisor and in July 2008, I assumed my current position in the Rates and Regulatory Matters area.

My responsibilities include supervision of: tariff administration, cost of service activities, calculation of cost recovery factors, and the regulatory filing function of the Rates and Regulatory Matters Department.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present the estimated true-up amount for the period January 2010 through December 2010 for the Environmental Cost Recovery Clause (ECRC).

Q. Have you prepared an exhibit that contains information to which you will refer in your testimony?

A. Yes, I have. My exhibit consists of nine schedules, each of which was prepared under my direction, supervision, or review.

Counsel: We ask that Mr. Dodd's Exhibit consisting of nine schedules be marked as Exhibit No. _____(RWD-3).

Q. Have you verified that to the best of your knowledge and belief the information contained in these documents is correct?

A. Yes, I have.

Q. What has Gulf calculated as the estimated true-up for the January 2010 through December 2010 period to be refunded or collected in the period January 2011 through December 2011?

A. The estimated true-up for the current period is an under-recovery of $234,779 as shown on Schedule 1E. This is based on six months of actual data and six months of estimated data. This amount will be added to the 2009 final true-up over-recovery amount of $9,744,785 (see Revised Schedule 1A to Gulf's testimony filed May 21, 2010). The sum of $9,510,006 will be refunded to customers during the January 2011 through December 2011 period. The detailed calculations supporting the estimated true-up for 2010 are contained in Schedules 2E through 8E.

Q. Please describe Schedules 2E and 3E of your exhibit.

A. Schedule 2E shows the calculation of the estimated over-recovery of environmental costs for the period January 2010 through December 2010. Schedule 3E of my exhibit is the calculation of the interest provision on the average true-up balance. This is the same method of calculating interest that is used in the Fuel Cost Recovery and Purchased Power Capacity Cost Recovery clauses.

Q. Please describe Schedules 4E and 5E of your exhibit.

A. Schedule 4E compares the estimated/actual O & M expenses for the period January 2010 through December 2010 to the projected O & M expenses approved by the Commission in conjunction with the November 2009 hearing. Schedule 5E shows the monthly O & M expenses by activity, along with the calculation of jurisdictional O & M expenses for the current recovery period. Per the Staff's request, emission allowance expenses and the amortization of gains on emission allowances are included with O & M expenses. Mr. Vick describes the main reasons for the expected variances in O & M expenses in his true-up testimony.

Q. Please describe Schedules 6E and 7E of your exhibit.

A. Schedule 6E for the period January 2010 through December 2010 compares the estimated/actual recoverable costs related to investment to the projected amount approved in conjunction with the November 2009 hearing. The recoverable costs include the return on investment, depreciation and amortization expense, dismantlement accrual, and property taxes associated with each environmental capital project for the current recovery period. Recoverable costs also include a return on working capital associated with emission allowances. Schedule 7E provides the monthly recoverable revenue requirements associated with each project, along with the calculation of the jurisdictional recoverable revenue requirements. Mr. Vick describes the major variances in recoverable costs related to environmental investment for this estimated true-up period in his testimony.

Q. Please describe Schedule 8E of your exhibit.

A. Schedule 8E includes 31 pages that provide the monthly calculations of recoverable costs associated with each approved capital investment for the current recovery period. As I stated earlier, these costs include return on investment, depreciation and amortization expense, dismantlement accrual, property taxes, and the return on working capital associated with emission allowances. Pages 1 through 27 of Schedule 8E show the investment and associated costs related to capital projects, while pages 28 through 31 show the investment and return related to emission allowances.

Q. Please explain how the depreciation, amortization and dismantlement expenses, and the associated accumulated depreciation balances are calculated.

A. For July through December 2010, depreciation and dismantlement expenses are based on depreciation rates and dismantlement costs approved in Commission Order No. PSC-10-0458-PAA-EI, issued July 19, 2010 ("Depreciation Order"). In addition, an adjustment was calculated and included in July's projected depreciation and dismantlement expenses to reflect the application of the approved rates for the January through June 2010 period.

Q. What capital structure and return on equity were used to develop the rate of return used to calculate the revenue requirements as shown on Schedule 9E?

A. Consistent with Commission policy, the capital structure used in calculating the rate of return for recovery clause purposes is based on the capital structure approved in Gulf's last completed rate case. The rate of return for the ECRC is based on the capital structure approved in Docket

No. 010949-EI, FPSC Order No. PSC-02-0787-FOF-EI dated June 10, 2002. The rate of return used to calculate ECRC revenue requirements includes a return on equity of 12.0% for the period January 1, 2010 through December 31, 2010.

Q. Mr. Dodd, does this conclude your testimony?
A. Yes.

Gulf Power Company

Before the Florida Public Service Commission
Direct Testimony and Exhibit of
Richard W. Dodd
Docket No. 100007-EI
Date of Filing August 27, 2010

Q. Will you please state your name, business address, employer and position?

A. My name is Richard W. Dodd. My business address is One Energy Place, Pensacola, Florida 32520-0780. I am the Supervisor of Rates and Regulatory Matters at Gulf Power Company.

Q. Please briefly describe your educational background and business experience.

A. I graduated from the University of West Florida in Pensacola, Florida in 1991 with a Bachelor of Arts Degree in Accounting. I also received a Bachelor of Science Degree in Finance in 1998 from the University of West Florida. I joined Gulf Power in 1987 as a Co-op Accountant and worked in various areas until I joined the Rates and Regulatory Matters area in 1990. After spending one year in the Financial Planning area, I transferred to Georgia Power Company in 1994 where I worked in the Regulatory Accounting department and in 1997 I transferred to Mississippi Power Company where I worked in the Rate and Regulation Planning department for six years followed by one year in Financial Planning. In 2004 I returned to Gulf Power Company working in the General Accounting area as Internal Controls Coordinator.

In 2007 I was promoted to Internal Controls Supervisor and in July 2008, I assumed my current position in the Rates and Regulatory Matters area.

My responsibilities include supervision of: tariff administration, cost of service activities, calculation of cost recovery factors, and the regulatory filing function of the Rates and Regulatory Matters Department.

Q. Have you previously filed testimony before the Commission in the connection with Gulf's Environmental Cost Recovery Clause (ECRC)?

A. Yes, I have.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present both the calculation of the revenue requirements and the development of the environmental cost recovery factors for the period of January 2011 through December 2011.

Q. Have you prepared an exhibit that contains information to which you will refer in your testimony?

A. Yes, I have. My exhibit consists of 8 schedules, each of which was prepared under my direction, supervision, or review.

Counsel: We ask that Mr. Dodd's exhibit consisting of 8 schedules be marked as Exhibit No. _____ (RWD-4).

Q. What environmental costs is Gulf requesting for recovery through the Environmental Cost Recovery Clause?

A. As discussed in the testimony of J. O. Vick, Gulf is requesting recovery for certain environmental compliance operating expenses and capital costs that are consistent with both the decision of the Commission in Order No. PSC-94-0044-FOF-EI in Docket No. 930613-EI and with past proceedings in this ongoing recovery docket. The costs we have identified for recovery through the ECRC are not currently being recovered through base rates or any other cost recovery mechanism.

Q. How was the amount of projected O&M expenses to be recovered through the ECRC calculated?

A. Mr. Vick has provided me with projected recoverable O&M expenses for January 2011 through December 2011. Schedule 2P of my exhibit shows the calculation of the recoverable O&M expenses broken down between demand-related and energy-related expenses. Also, Schedule 2P provides the appropriate jurisdictional factors and amounts related to these expenses. All O&M expenses associated with compliance with the Clean Air Act Amendments of 1990 (CAAA) were considered to be energy-related, consistent with Commission Order No. PSC-94-0044-FOF-EI. O&M expenses associated with Gulf's Clean Air Interstate Rule (CAIR) and Clean Air Visibility Rule (CAVR) Compliance Program were considered to be energy-related pursuant to FPSC Order No. PSC-06-0972-FOF-EI issued November 22, 2006. The remaining expenses were broken down between demand and energy consistent with Gulf's last approved cost-of-service methodology in Docket No. 010949-EI.

Q. Please describe Schedules 3P and 4P of your exhibit.

A. Schedule 3P summarizes the monthly recoverable revenue requirements associated with each capital investment project for the recovery period. Schedule 4P shows the detailed calculation of the revenue requirements associated with each investment project. These schedules also include the calculation of the jurisdictional amount of recoverable revenue requirements. Mr. Vick has provided me with the expenditures, clearings, retirements, salvage, and cost of removal related to each capital project and the monthly costs for emission allowances. From that information, I calculated plant-in-service and construction work in progress (non interest bearing). Depreciation, amortization and dismantlement expense and the associated accumulated depreciation balances were calculated based on Gulf's approved depreciation rates, amortization periods, and dismantlement accruals. The capital projects identified for recovery through the ECRC are those environmental projects which were not included in the approved June 2002 through May 2003 test year on which present base rates were set.

Q. How was the amount of property taxes to be recovered through the ECRC derived?

A. Property taxes were calculated by applying the applicable tax rate to taxable investment. In Florida, pollution control facilities are taxed based only on their salvage value. For the recoverable environmental investment located in Florida, the amount of property taxes is estimated to be $0. In Mississippi, there is no such reduction in property taxes for pollution control facilities. Therefore, property taxes related to recoverable environmental investment at Plant Daniel are calculated by applying the applicable millage rate to the assessed value of the property.

Q. What capital structure and return on equity were used to develop the rate of return used to calculate the revenue requirements as shown on 8P?

A. Consistent with Commission policy, the capital structure used in calculating the rate of return for recovery clause purposes is based on the capital structure approved in Gulf's last completed rate case. The rate of return for the ECRC is based on the capital structure approved in Docket No. 010949-EI, FPSC Order No. PSC-02-0787-FOF-EI dated June 10, 2002. The rate of return used to calculate ECRC revenue requirements includes a return on equity of 12.0% for the period January 1, 2011 through December 31, 2011.

Q. How was the breakdown between demand-related and energy-related investment costs determined?

A. The investment costs associated with compliance with the CAAA were considered to be energy-related consistent with Commission Order No. PSC-94-0044-FOF-EI, dated January 12, 1994, in Docket No. 930613-EI. The investment costs associated with Gulf's CAIR and CAVR Compliance Program were considered to be energy-related pursuant to FPSC Order No. PSC-06-0972-FOF-EI issued November 22, 2006. The remaining investment costs of environmental compliance were allocated 12/13th based on demand and 1/13th based on energy, consistent with Gulf's last approved cost-of-service study. The calculation of this breakdown is shown on Schedule 4P and summarized on Schedule 3P.

Q. What is the total amount of projected recoverable costs related to the period January 2011 through December 2011?

A. The total projected jurisdictional recoverable costs for the period January 2011 through December 2011 is $157,338,278 as shown on line 1c of Schedule 1P. This includes costs related to O&M activities of $34,302,592 and costs related to capital projects of $123,035,686 as shown on lines 1a and 1b of Schedule 1P.

Q. What is the total recoverable revenue requirement to be recovered in the projection period January 2011 through December 2011 and how was it allocated to each rate class?

A. The total recoverable revenue requirement including revenue taxes is $147,934,709 for the period January 2011 through December 2011 as shown on line 5 of Schedule 1P. This amount includes the recoverable costs related to the projection period and the total true-up cost of $9,510,006 to be refunded. Schedule 1P also summarizes the energy and demand components of the requested revenue requirement. I allocated these amounts by rate class using the appropriate energy and demand allocators as shown on Schedules 6P and 7P.

Q. How were the allocation factors calculated for use in the Environmental Cost Recovery Clause?

A. The demand allocation factors used in the ECRC were calculated using the 2009 load data filed with the Commission in accordance with FPSC Rule 25-6.0437. The energy allocation factors were calculated based on projected KWH sales for the period adjusted for losses. The calculation of the allocation factors for the period is shown in columns 1 through 9 on Schedule 6P.

Q. How were these factors applied to allocate the requested recovery amount properly to the rate classes?

A. As I described earlier in my testimony, Schedule 1P summarizes the energy and demand portions of the total requested revenue requirement. The energy-related recoverable revenue requirement of $140,014,127 for the period January 2011 through December 2011 was allocated using the energy allocator, as shown in column 3 on Schedule 7P. The demand-related recoverable revenue requirement of $7,920,582 for the period January 2011 through December 2011 was allocated using the demand allocator, as shown in column 4 on Schedule 7P. The energy-related and demand-related recoverable revenue requirements are added together to derive the total amount assigned to each rate class, as shown in column 5.

Q. What is the monthly amount related to environmental costs recovered through this factor that will be included on a residential customer's bill for 1,000 kwh?

A. The environmental costs recovered through the clause from the residential customer who uses 1,000 kwh will be $13.43 monthly for the period January 2011 through December 2011.

Q. When does Gulf propose to collect its environmental cost recovery charges?

A. The factors will be effective beginning with Cycle 1 billings in January 2011 and will continue through the last billing cycle of December 2011.

Q. Mr. Dodd, does this conclude your testimony?

A. Yes.

MS. BROWN: Commissioners, we propose that the Commission, since there --

CHAIRMAN GRAHAM: Just a second. Commissioner Skop.

COMMISSIONER SKOP: Thank you. Is that Issues 1 through 20, or Exhibits 1 through 20?

MS. BROWN: Exhibits 1 through 20. I'm sorry.

Since the parties are proposing stipulations on all the issues, we suggest that the Commission could make a bench decision in this case.

CHAIRMAN GRAHAM: I am comfortable with a bench decision.

Commission board, can I get a motion?

COMMISSIONER EDGAR: Mr. Chairman, recognizing, again, that all issues are stipulated, I move that we approve the proposed stipulation, Issues 1 through 8, 10A through 10C, and 11A through 11D.

COMMISSIONER SKOP: Second.

CHAIRMAN GRAHAM: It has been moved, all Issues 1 through 8, 10A through 10C, and 11A through 11D, is that correct?

COMMISSIONER EDGAR: Yes.

CHAIRMAN GRAHAM: All in favor, signify by saying aye?

(Vote taken.)

CHAIRMAN GRAHAM: Those opposed?

By your actions you've approved those stipulations.

MS. BROWN: Mr. Chairman, since the Commission has made a bench decision, post-hearing filings are not necessary and a final order in the case will be issued by December 1st.

CHAIRMAN GRAHAM: Is there anything else to come before us in this docket?

Seeing none, we will adjourn Docket 100007.

(The hearing concluded at 9:52 a.m.)

STATE OF FLORIDA)

: CERTIFICATE OF REPORTER

COUNTY OF LEON)

I, JANE FAUROT, RPR, Chief, Hearing Reporter Services Section, FPSC Division of Commission Clerk, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 4th day of November, 2010.

Jane Faurot

JANE FAUROT, RPR
Official FPSC Hearings Reporter
(850) 413-6732