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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF

JOSEPH McCALLISTER

ON BEHALF OF

PROGRESS ENERGY FLORIDA

DOCKET NO. 090007-EI

August 28, 2009

Q. Please state your name and business address.

A. My name is Joseph McCallister. My business address is 410 South Wilmington Street, Raleigh, North Carolina 27601.

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

A. I am employed by Progress Energy Carolinas (PEC) in the capacity of Director, Gas, Oil and Power.

Q. What are your responsibilities in that position?

A. I am responsible for the procurement of natural gas, fuel oil and emission allowances and for power trading and optimization on behalf of PEC and Progress Energy Florida (PEF).

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

3 A. Yes.

4

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

6 A. The purpose of my testimony is to present PEF's projected costs related to its
7 emission allowance procurement strategy as part of its Integrated Clean Air
8 Compliance Strategy to comply with the requirements under the Clean Air
9 Interstate Rule (CAIR).

10

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

12 A. I am co-sponsoring the Description and Progress Report for Environmental
13 Compliance Activities and Projects, Form 42-5P page 5 of 14, portion of the
14 schedule attached to Thomas G. Foster's testimony.

15

16 **Q. What costs do you expect to incur in 2010 in connection with the SO₂/NO_x**
17 **Emissions Allowances Program (Project #5)?**

18 A. For 2010, we estimate PEF will incur total O&M expenditures of approximately
19 \$10,207,630 in costs for the sulfur dioxide (SO₂) and nitrogen oxides (NO_x)
20 Emissions Allowances Program.

21

1 **Q. What steps is the Company taking to ensure that the level of expenditures**
2 **for the SO₂/NO_x Emissions Allowances Program is reasonable and**
3 **prudent?**

4 **A.** PEF's overall procurement strategy for complying with regulatory emissions
5 program requirements is to buy allowances over time based on forecasted
6 compliance needs. PEF believes a strategy of procuring emissions allowances
7 over time is a reasonable and prudent approach to ensure that compliance
8 requirements are met.

9
10 As part of its Integrated Clean Air Compliance Plan, PEF forecasted the need to
11 purchase both seasonal and annual NO_x emissions allowances in order to
12 comply with CAIR NO_x requirements for 2010 operations. For that reason, and
13 consistent with its strategy, PEF purchased seasonal and annual NO_x allowances
14 over time to gradually increase inventories to the levels necessary to achieve
15 compliance.

16
17 PEF forecasts that it has sufficient allowances to comply with CAIR SO₂ and
18 NO_x requirements for 2010 operations.

19
20 **Q. Does this conclude your testimony?**

21 **A.** Yes it does.