

# Hopping Green & Sams

Attorneys and Counselors

Writer's Direct Dial No.  
(850) 425-2359

September 3, 2004

## BY HAND DELIVERY

Blanca Bayó  
Director, Division of Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399

Re: Docket 040007-EI

Dear Ms. Bayó:

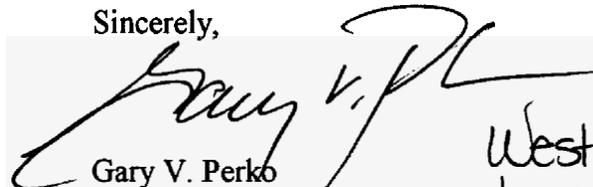
Enclosed for filing in the above referenced docket on behalf of Progress Energy Florida, Inc. ("PEF") are the original and fifteen copies of the following:

- Pre-filed Direct Testimony of Patricia Q. West, Kent D. Hedrick, and Javier Portuondo, along with Mr. Portuondo's Exhibit No. \_\_\_ (JP-3); and
- Revised Direct Testimony of Javier Portuondo and Revised Exhibit \_\_\_ (JP-2) to be substituted for the Testimony of Mr. Portuondo and Exhibit \_\_\_ (JP-2) originally filed on August 4, 2004. This testimony and exhibit have been revised to correct the Beginning Balance True-up on Line 7a of Form 42-2E.

I also have included a diskette containing the testimony in Microsoft Word format.

Please acknowledge receipt and filing of the above by stamping the enclosed extra copies of the testimony and attached exhibit and returning them to me. If you have any questions concerning this filing, please contact me at 425-2359.

Sincerely,



Gary V. Perko

West	09727-04
Hedrick	09728-04
Portuondo	09729-04

GVP/jlm  
Enclosures  
cc: Certificate of Service

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by regular U.S. mail and/or hand-delivery (\*) to the following in Docket No. 040007-EI this 3rd day of September, 2004.

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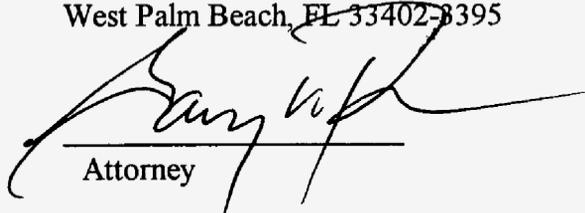
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\_\_\_\_\_  
Attorney

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION  
DIRECT TESTIMONY OF  
PATRICIA Q. WEST  
ON BEHALF OF  
PROGRESS ENERGY FLORIDA  
DOCKET NO. 040007-EI  
SEPTEMBER 3, 2004

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

A. My name is Patricia Q. West. My business address is 100 Central Avenue, St. Petersburg, Florida, 33701.

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

A. I am employed by Progress Energy Florida, Inc. ("Progress Energy" or "Company") as Manager of Environmental Projects and Strategy. In that position, I have responsibility for the development of compliance strategies pertaining to new regulatory requirements for energy supply facilities in Florida, North Carolina, South Carolina and Georgia.

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

A. Yes, I have.

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 In 2003 the Commission determined that the costs of two new environmental  
7 programs are eligible for recovery through the Environmental Cost Recovery  
8 Clause (“ECRC”). Those two projects are:

- 9
- Pipeline Integrity Management Program (Project 3)
  - Aboveground Storage Tank Secondary Containment Projects (Project 4).
- 10

11

12 In May 2004, the Company filed a petition in Docket No. 040472-EI requesting  
13 approval of a new environmental program for cost recovery through the ECRC.  
14 That program, entitled the Phase II Cooling Water Intake Program (Project 6), is  
15 being implemented in order to comply with new requirements established by the  
16 U.S. Environmental Protection Agency (“EPA”) in new rules to be codified 40  
17 CFR 125 Subpart J, and associated amendments to existing rules.

18

19 This testimony provides estimates of the costs that will be incurred for each of  
20 these programs in the year 2005.

21

22 **Q. What costs do you expect to incur in 2005 in connection with the Pipeline**  
23 **Integrity Management Program (Project 3a)?**

1 A. For 2005, we estimate that Progress Energy will incur a total \$1,056,000 in  
2 O&M expenditures to comply with the Pipeline Integrity Management (“PIM”)  
3 regulations (49 CFR Part 195) and the Company’s PIM Plan. This figure  
4 includes the costs of: analyzing data generated when performing the required  
5 baseline integrity assessment of the pipeline, and performing any necessary  
6 corrective actions on the pipeline (\$446,000); continued management and  
7 implementation of the required integrity management program (\$250,000);  
8 providing for projects to ensure pipeline protection for areas found to have  
9 inadequate cover or other risk reduction measures (\$250,000); and  
10 implementation of protective measures necessitated by the Florida Department  
11 of Transportation’s planned alteration of Highway 19 (\$110,000).

12

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

15 A. As services are required to comply with the PIM regulations and the Company’s  
16 PIM Plan, Progress Energy will identify qualified suppliers of the necessary  
17 services. Where possible, competitive bidding will be used to select the lowest  
18 cost supplier.

19

20 **Q. What costs do you expect to incur in 2005 in connection with the Above**  
21 **Ground Storage Tank Secondary Containment Program (Project 4d)?**

22 A. Progress Energy is currently estimating \$1,500,000 in capital expenditures in  
23 2005. These costs are for the double-bottoming of two storage tanks (DEP ID  
24 Nos. 17 and 18) at the Intercession City Combustion Turbine site in accordance

1 with Rule 62-761.510(3)(d), F.A.C., Table AST U(1), and the double-walling of  
2 pipe in contact with the soil in accordance with Rule 62-761.510 (3)(d), F.A.C.,  
3 Table AST U(2)(a).

4

5 **Q. What steps is the Company taking to ensure that the level of expenditures**  
6 **for the Above Ground Storage Tank Secondary Containment Program is**  
7 **reasonable and prudent?**

8 A. As services are required to comply with the Aboveground Storage Tank  
9 regulations, Progress Energy will identify qualified suppliers of the necessary  
10 services. Where possible, competitive bidding will be used to select the lowest  
11 cost supplier.

12

13 **Q. What costs do you expect to incur in 2005 in connection with the Phase II**  
14 **Cooling Water Intake Program (Project 6)?**

15 A. Progress Energy is currently estimating total O&M expenditures of \$600,632 in  
16 connection with the Phase II Cooling Water Intake Program in 2005. These  
17 costs include approximately \$65,000 for the development of the Company's  
18 Proposal for Information Collection in accordance with 40 C.F.R. §  
19 125.95(b)(1), and approximately \$535,000 for environmental studies to be  
20 performed as part of the Comprehensive Demonstration Study for one site in  
21 accordance with 40 C.F.R. § 125.95(b)(3). Based on guidance recently released  
22 by EPA, Progress also may need to perform or initiate environmental studies at  
23 one or more additional sites in 2005 to meet EPA's interpretation of the

1           timeframes for submitting permit application materials under 40 C.F.R. §  
2           125.95(a)(2).

3  
4           In accordance with the Commission's off-setting policy discussed in Progress'  
5           petition for approval of this new Program, Progress only seeks to recover those  
6           annual costs of environmental studies associated with the new Program in  
7           excess of the amount included in the MFRs that Progress Energy filed in Docket  
8           No. 000824-EI (i.e., \$287,500) reduced by the amount actually spent on  
9           environmental studies during the relevant ECRC recovery period. Progress does  
10          not anticipate any expenditures on non-ECRC environmental studies in 2005.  
11          Thus, the company projects total recoverable costs for the new Program to be  
12          \$313,132 for 2005 (i.e., \$600,632 - \$287,500 = \$313,132).

13

14   **Q.    What steps is the Company taking to ensure that the level of expenditures**  
15   **for the Phase II Cooling Water Intake Program is reasonable and prudent?**

16   A.    As services are required to comply with the Phase II Cooling Water Intake  
17   Program, Progress Energy will identify qualified suppliers of the necessary  
18   services. Where possible, competitive bidding will be used to select the lowest  
19   cost supplier.

20

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

22   A.    Yes it does.

23