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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
DIRECT TESTIMONY OF
KENT D. HEDRICK
ON BEHALF OF
PROGRESS ENERGY FLORIDA
DOCKET NO. 040007-EI
AUGUST 4, 2004

Q. Please state your name and business address,

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

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

A. I am employed by Progress Energy Florida as Manager of Environmental
Services and Technical Assessment.

Q. What is the scope of your duties?

A. Currently, my responsibilities include management of the environmental
compliance functions and activities for Progress Energy Florida (PEF or
“Company”).

Q. Please describe your educational background and professional experience.

1 A. I received a Bachelors of Science degree in Environmental Engineering from the
2 University of Florida. In addition, I am a registered professional engineer in the
3 State of Florida. Currently I hold the position of Manager of Environmental
4 Services and Technical Assessment. Before then, I held several environmental
5 management positions with the Company.

6

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

9 A. Yes, I have.

10

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

13 A. No. My responsibilities have been expanded and now include environmental
14 technical assessment for PEF.

15

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

17 A. The purpose of my testimony is to explain material variances between the
18 Estimated/Actual project expenditures versus the original cost projections for
19 environmental compliance costs associated with PEF's Substation and
20 Distribution System Environmental Investigation, Remediation, and Pollution
21 Prevention Programs for the period January 2004 through December 2004.

1 **Q. Please explain the variance between the Estimated/Actual project**
2 **expenditures and the original projections for the Substation System**
3 **Program for the period January 2004 to December 2004 (Project #1).**

4 A. Project expenditures for the Substation System Program are estimated to be
5 \$432,669 lower than originally projected. This is due to the reduced scope of
6 work associated with the remediation activities in substations. The original
7 projection was based on remediation of 52 substation sites in 2004. The new
8 projection is based on remediation of 9 substation sites in 2004. A reduction in
9 the number of substation sites is a result of a longer time period than planned to
10 obtain required FDEP approval on the Substation Inspection Plan and the
11 Substation Assessment and Remedial Action Plan. This additional time delayed
12 the anticipated start date for substation remediation activities from the first
13 quarter, 2004 until the current anticipated start date of the fourth quarter, 2004.

14
15 **Q. Please explain the variance between the Estimated/Actual project**
16 **expenditures and the original projections for the Distribution System**
17 **Program for the period January 2004 to December 2004 (Project #2).**

18 A. Project expenditures for the Distribution System Program are estimated to be
19 \$2,930,034 higher than originally projected. This variance is due to increased
20 cost estimates for the associated investigation and remediation activities. As
21 noted in the original projection testimony (*see* Direct Testimony of Kent D.
22 Hedrick filed on behalf of PEF in Docket No. 030007-EI on September 8, 2003)
23 a placeholder unit remediation cost of \$10,000 per site on average was used for

1 3-phase sites, to develop the original projection. This was necessary because
2 PEF was just beginning the remediation activities at 3-phase sites and the unit
3 cost was difficult to estimate. A revised unit cost of \$14,000 per 3-phase site on
4 average is typical of the actual unit costs incurred to date resulting in higher than
5 projected remediation activity cost. In addition, the number of single-phase sites
6 targeted for remediation has been increased. An additional estimated 364
7 single-phase sites have been targeted for remediation activities during the period
8 July 2004 through December 2004 at an estimated unit cost of \$8,500 per site on
9 average.

10

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

12 **A. Yes, it does.**