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Hopping Green & Sams

Attorneys and Counselors

Writer's Direct Dial Number
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November 21, 2006

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COMMISSION
CLERK

BY HAND DELIVERY

Blanca Bayó
Director, Office of the Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 060635-EU
Petition to Determine Need for an Electrical Power Plant in Taylor County by
Florida Municipal Power Agency, JEA, Reedy Creek Improvement District and
City of Tallahassee

Dear Ms. Bayó:

On behalf of Florida Municipal Power Agency, JEA, Reedy Creek Improvement District
and City of Tallahassee, I have enclosed for filing the original and fifteen copies of the
following:

- Rebuttal Testimony of Paul Hoornaert; 10714-06
- Rebuttal Testimony of Chris Klausner; 10715-06
- Rebuttal Testimony of Bradley Kushner; 10716-06
- Rebuttal Testimony of Michael Lawson; 10717-06
- Rebuttal Testimony of P G Para; 10718-06
- Rebuttal Testimony of Ryan Pletka; 10719-06
- Rebuttal Testimony of Matthew Preston; and 10720-06
- Rebuttal Testimony of Myron Rollins 10721-06

CMP _____

COM 5

CTR Org

ECR _____

GCL 1

OPC _____

RCA _____

SCR _____

SGA _____

SEC 1

OTH _____

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

RECEIVED & FILED

FPSC-BUREAU OF RECORDS

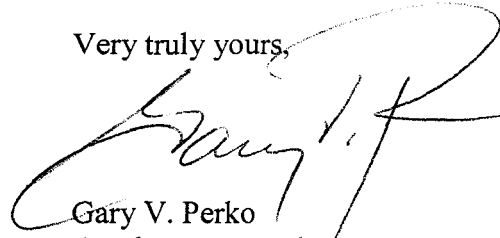
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Ms. Blanca Bayó
November 21, 2006
Page 2

Thank you for your assistance in connection with this matter.

Very truly yours,

A handwritten signature in black ink, appearing to read "Gary V. Perko". The signature is fluid and cursive, with a large, sweeping initial "G".

Gary V. Perko
Carolyn S. Raepple
Virginia C. Dailey

Attorneys for Florida Municipal Power Agency,
JEA, Reedy Creek Improvement District and City
of Tallahassee

cc: Certificate of Service

Hopping Green & Sams

Attorneys and Counselors

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the documents described above in Docket No. 060635-EU have been furnished by hand-delivery (*) or U.S. Mail on this 21st day of November, 2006:

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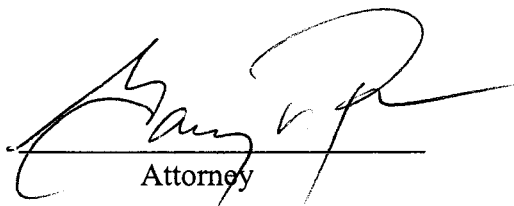
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
REBUTTAL TESTIMONY OF PAUL HOORNAERT
ON BEHALF OF
FLORIDA MUNICIPAL POWER AGENCY
JEA
REEDY CREEK IMPROVEMENT DISTRICT
AND
CITY OF TALLAHASSEE
DOCKET NO. 060635
NOVEMBER 21, 2006

Q. Please state your name and business address.

A. My name is Paul Hoornaert. My business address is 55 East Monroe Street,
Chicago, IL, 60603.

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

A. I am employed by Sargent & Lundy, LLC as a Senior Project Manager, Fossil
Power Technologies.

Q. Have you previously submitted testimony in this proceeding?

A. Yes.

**Q. Have you reviewed the testimony of Stephen A. Smith that was filed in this
docket on November 2, 2006?**

1 A. Yes, I have.

2

3 **Q. What is the purpose of your rebuttal testimony?**

4 A. The purpose of my testimony is to rebut the assertion in Dr. Smith's testimony
5 that the construction cost estimates for the TEC presented in the TEC Need for
6 Power Application pre-dated Hurricane Katrina. I also will provide updated
7 capital cost estimates for the TEC project. As further explained in the rebuttal
8 testimony of Bradley E. Kushner, contrary to Dr. Smith's suggestion, market
9 impacts on TEC capital costs do not affect the conclusion that TEC is the most
10 cost-effective alternative.

11

12 **Q. Are you sponsoring an exhibit with your testimony?**

13 A. Yes. I am sponsoring Exhibit No. ___ (PH-1R), which provides an update to the
14 capital cost estimate summary included in Table A.3.5 in Section A.3.0 of the
15 TEC Need for Power Application (Exhibit No. __ (TEC-1).

16

17 **Q. Is Dr. Smith correct in asserting that the construction cost estimate for
18 TEC presented in the Need for Power Application predated Hurricane
19 Katrina?**

20 A. No. Hurricane Katrina affected the Gulf Coast in late August and early
21 September of 2005. The TEC capital estimate presented in the Need for Power
22 Application, Exhibit No. __ (TEC-1) was developed after Hurricane Katrina in
23 March 2006.

24

1 **Q. Dr. Smith also notes that in a regulatory proceeding in North Carolina,**
2 **Duke Energy has suggested that updated cost estimates are “significantly”**
3 **higher than cost estimates they originally presented. Have you developed**
4 **updated capital cost estimates for the TEC?**

5 A. Yes. In light of changing market conditions observed nationwide, we have
6 updated the TEC capital cost estimates to account for market impacts on the
7 costs of major equipment and labor. We also have included cost estimates for
8 mercury controls and certain additional items that the TEC Participants have
9 selected since the filing of my original testimony. We also have adjusted the
10 initial Community Contribution to account for changes in the structure of the
11 contribution that were agreed upon with Taylor County after my pre-filed
12 testimony was submitted.

13
14 **Q. How do the updated costs compare to the cost estimates presented in your**
15 **pre-filed testimony?**

16 A. As shown in Table A.3-5 of the TEC Need for Power Application, Exhibit No.
17 __ (TEC-1), the total capital costs for the TEC were originally estimated to be
18 \$1,713,399,000 in 2012 dollars. (My pre-filed testimony included a
19 typographical error on page 7, line 5, which states that the cost estimates were
20 \$1,743,399,000). As shown in Exhibit No. __ (PH-1R), which presents an
21 Updated Table A.3-5 of Exhibit No. __ (TEC-1), as a result of market impacts
22 and scope changes discussed above, the updated cost estimate is
23 \$2,039,073,000, which reflects an increase of approximately 19.01 percent from
24 the original estimate.

1 **Q. Why does your updated cost estimate include costs for mercury controls?**

2 A. As stated in my pre-filed testimony, mercury emissions from the TEC will be
3 reduced through the co-benefits of selective catalytic reduction (SCR), flue gas
4 desulfurization (FGD), and a wet electrostatic precipitator (WESP). Because
5 mercury controls for electric generation plants are relatively untested, however,
6 it is possible that additional controls may be necessary to comply with the
7 second phase of the Clean Air Mercury Rule (CAMR) discussed in pre-filed
8 testimony of Mr. Rollins. For that reason, the TEC Participants have agreed to
9 install additional controls if necessary to achieve a 90% reduction in TEC
10 mercury emissions by 2018, when CAMR's second phase begins. Although the
11 TEC Participants will implement a research program to determine if
12 SCR/FGD/WESP or other more cost-effective controls can achieve this level of
13 reduction, we have assumed that the only currently available mercury-specific
14 control, activated carbon injection (ACI), will be installed. My updated capital
15 cost estimate assumes that costs for ACI (approximately \$40,000,000) will be
16 incurred when the plant is constructed even though the TEC Participants
17 anticipate that additional mercury controls, if any, will not be needed until the
18 second phase of CAMR.

19
20 **Q. Do the updated capital cost estimates impact the conclusion that the TEC is
21 the most cost-effective alternative for each of the Participants?**

22 A. Mr. Kushner performed the TEC cost-effectiveness analysis. This issue is
23 addressed in Mr. Kushner's rebuttal testimony. However, it is my understanding

1 that the updated construction cost estimates do not change the conclusion that
2 the TEC is the most cost-effective alternative for each of the Participants.

3

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

5 **A. Yes.**

UPDATED Table A.3-5
Updated Capital Cost Estimate Summary

Description	
Base Estimate	\$1,704,378,000
Owner's Costs	\$138,762,000
Land	\$19,440,000
Community Contribution Lump Sum	\$17,000,000
Owner's AFUDC ⁽¹⁾	<u>\$159,494,000</u>
Total Installed Cost – May 2012 COD	\$2,039,074,000

⁽¹⁾AFUDC calculated based on all components of capital cost estimate, including the base estimate, owner's costs, land, and community contribution.