

130620149

McKinley

Part 2 of 4

**DIRECT TESTIMONY  
OF  
ROBERT B. MCKINLEY  
ON BEHALF OF  
VIRGINIA ELECTRIC AND POWER COMPANY  
BEFORE THE  
STATE CORPORATION COMMISSION OF VIRGINIA  
CASE NO. PUE-2013-00060**

1 **Q. Please state your name, business address and position with Virginia Electric and**  
2 **Power Company (“Dominion Virginia Power” or the “Company”).**

3 A. My name is Robert B. McKinley, and I am Vice President, Generation Construction. My  
4 business address is 5000 Dominion Boulevard, Glen Allen, Virginia 23060. A statement  
5 of my background and qualifications is attached as Appendix A.

6 **Q. Please describe your areas of responsibility with the Company.**

7 A. I am responsible for engineering and construction of power station capital projects,  
8 including both existing facilities and new facilities planned by Dominion Virginia Power  
9 and its affiliates.

10 **Q. What is the purpose of your testimony in this Rider B annual update filing**  
11 **proceeding?**

12 A. The purpose of my testimony is to provide the status of the major unit modifications to  
13 the existing Altavista, Hopewell and Southampton Power Stations (together, the  
14 “Biomass Conversion Projects” or “Projects”), the actual modification expenditures  
15 through December 31, 2012, and the projected modification expenditures to complete  
16 construction of the Projects by December of 2013.

17 **Q. During the course of your testimony, will you introduce an exhibit?**

18 A. Yes. Company Exhibit No. \_\_\_\_, RBM, consisting of Confidential Schedule 1 and

1 Schedule 2, was prepared under my supervision and direction and is accurate and  
2 complete to the best of my knowledge and belief. I am also sponsoring Filing Schedule  
3 46A.

4 **Q. What information is included in Filing Schedule 46A?**

5 A. Rules 60 and 90 of the Commission's Rules Governing Utility Rate Applications and  
6 Annual Informational Filings require the Company to include Schedule 46 with a rate  
7 adjustment clause filing that includes all documents, contracts, studies, investigations, or  
8 correspondence that support projected costs to be recovered via the proposed rider.  
9 Pursuant to the July 23, 2012 Order for Notice and Hearing in the Company's 2012  
10 Annual Update proceeding, Case No. PUE-2012-00072, the Commission granted the  
11 Company a limited, ongoing waiver specifically with respect to the portions of Filing  
12 Schedule 46 related to selection of the Biomass Conversions as the preferred alternative  
13 to meet the specified need for new generating capacity ("CPCN-related information") and  
14 permitted the Company to supplement this type of information required by Schedule 46  
15 only to the extent it had changed since the Commission issued its Final Order in Case No.  
16 PUE-2011-00073. Consistent with this directive, the Schedule 46 information that I am  
17 sponsoring in this proceeding contains only the Project cost information that has changed  
18 during 2012.

19 **Q. Mr. McKinley, would you please provide the Commission with a brief description of**  
20 **the work on the Projects that has transpired during 2012 and the first quarter of**  
21 **2013?**

22 A. The Altavista, Hopewell and Southampton Power Stations are on schedule to be fully  
23 converted and operational as biomass fueled units by December 2013. The contract to

1 provide engineering, procurement, and construction (“EPC”) services was executed with  
2 Crowder Construction Company on June 30, 2011. The contract to engineer and supply  
3 required boiler modification equipment was executed with Babcock & Wilcox Company  
4 on August 10, 2011. All major equipment has been delivered and the Projects are  
5 proceeding according to schedule. As of May 2013, Altavista site construction is almost  
6 complete, and commissioning of the wood yard has begun. Construction activities at  
7 Hopewell and Southampton have commenced. The Project schedules remain on target  
8 for completion by December 2013.

9 **Q. Has the total forecast for the Biomass Conversion Projects changed?**

10 A. Yes. The total forecasted costs for the combined Biomass Conversion Projects costs have  
11 decreased \$8.4 million or 5.1% to \$157.4 million from the original budget case.  
12 However, the total forecasted costs for the combined Biomass Conversion Projects have  
13 not changed from the 2012 annual update filing. The updated budget forecast is included  
14 in my Confidential Schedule 1, which reflects actual capital expenditures through  
15 December 31, 2012, and projected capital expenditures for the remainder of the Projects  
16 through the commercial operation dates in 2013, by budget item cost category, as well as  
17 totals. Schedule 2 provides the monthly projection of capital expenditures, which  
18 information was used by Company Witness Mark C. Stevens to determine the revenue  
19 requirement in this proceeding.

20 **Q. Mr. McKinley, could you provide explanations for any cost categories that exhibit a**  
21 **variance greater than 5% from the Project budget?**

22 A. As expected, with a Project of this size and complexity, at each facility there have been  
23 cost variances from the original estimates both upward and downward and within specific

1 cost categories and subcategories. Consistent with the Company's previous Rider B,  
2 Rider W, Rider R and Rider S annual update filings, below I am providing a  
3 reconciliation and explanation of any cost category variance that is greater than 5% of  
4 budget for each of the Biomass Conversion Projects, as presented in Case No. PUE-2011-  
5 00073, in which Rider B first received Commission approval.

6 A brief description of the expenditures in each of the cost categories by site is included in  
7 my Confidential Schedule I, and where appropriate, a discussion of any variances to  
8 earlier projections, are as follows:

9 **Altavista**

10 The Project forecast for the Altavista facility is \$54.6 million, which is \$2.1 million or  
11 3.8% under the original site budget of \$56.7 million. Four of the five cost categories –  
12 Land, Soft Cost, Startup Cost, and Contingency – are projected to exhibit variances  
13 greater than 5% from the original Project budget as follows:

- 14 • Land – The current forecast is [BEGIN CONFIDENTIAL] [REDACTED] [END  
15 CONFIDENTIAL], which is 32.9% under budget based on the final land  
16 acquisition costs.
- 17 • Soft Costs – The current forecast is [BEGIN CONFIDENTIAL] [REDACTED]  
18 [END CONFIDENTIAL], which is a [BEGIN CONFIDENTIAL] [REDACTED]  
19 [END CONFIDENTIAL] or 19.3% budget increase due primarily to a [BEGIN  
20 CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] increase in the  
21 Project Management subcategory of costs resulting from an updated capital  
22 overhead allocation of indirect project support costs to capital projects (both Rider  
23 and non-Rider) beginning in January 2012.

- 1           • Startup Costs – The current forecast is [BEGIN CONFIDENTIAL] [REDACTED]  
 2           [END CONFIDENTIAL] which is a [BEGIN CONFIDENTIAL] [REDACTED]  
 3           [END CONFIDENTIAL] or 142.7% budget increase due to revised fuel cost and  
 4           test power revenue estimates during commissioning.
- 5           • Contingency – The contingency funds originally budgeted as [BEGIN  
 6           CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] have decreased by  
 7           approximately [BEGIN CONFIDENTIAL] [REDACTED] [END  
 8           CONFIDENTIAL] or 52.8% to [BEGIN CONFIDENTIAL] [REDACTED]  
 9           [END CONFIDENTIAL] in order to balance cost variations in the cost  
 10          categories discussed above.

### 11          Hopewell

12          The Project forecast for the Hopewell facility is \$51.9 million, which is \$2.4 million or  
 13          4.5% under the original site budget of \$54.4 million. Three of the five cost categories –  
 14          Startup Cost, Construction & Equipment, and Contingency – are projected to exhibit  
 15          variances greater than 5% from the original Project budget as follows:

- 16          • Startup Costs – The current forecast is [BEGIN CONFIDENTIAL] [REDACTED]  
 17          [END CONFIDENTIAL] which is a [BEGIN CONFIDENTIAL] [REDACTED]  
 18          [END CONFIDENTIAL] or 142.7% budget increase due to revised fuel cost and  
 19          test power revenue estimates during commissioning.
- 20          • Construction & Equipment – The current forecast is [BEGIN CONFIDENTIAL]  
 21          [REDACTED] [END CONFIDENTIAL], which is [BEGIN CONFIDENTIAL]  
 22          [REDACTED] [END CONFIDENTIAL] or 7.7% under the budget of [BEGIN  
 23          CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL]. This favorable

1 variance is mainly the result of a revised estimate in the EPC Contractor  
2 subcategory, which is partially offset by variances in the other subcategories.

- 3 • Contingency – The contingency funds originally budgeted as [BEGIN  
4 CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] have increased by  
5 approximately [BEGIN CONFIDENTIAL] [REDACTED] [END  
6 CONFIDENTIAL] or 16.6% to [BEGIN CONFIDENTIAL] [REDACTED]  
7 [END CONFIDENTIAL] in order to balance cost variations in the cost  
8 categories discussed above.

9 **Southampton**

10 The Project forecast for the Southampton site is \$50.9 million, which is \$3.8 million or  
11 7.0% under the original site budget of \$54.7 million. All five cost categories – Land, Soft  
12 Cost, Startup Cost, Construction & Equipment, and Contingency – are projected to  
13 exhibit variances greater than 5% from the original Project budget as follows:

- 14 • Land – The current forecast is [BEGIN CONFIDENTIAL] [REDACTED] [END  
15 CONFIDENTIAL], which is 20.0% under budget based on the final land  
16 acquisition costs.

- 17 • Soft Costs – The current forecast is [BEGIN CONFIDENTIAL] [REDACTED]  
18 [END CONFIDENTIAL], which is a [BEGIN CONFIDENTIAL] [REDACTED]  
19 [END CONFIDENTIAL] or 6.7% budget decrease due to smaller variances  
20 across all of the subcategories.

- 21 • Startup Costs – The current forecast is [BEGIN CONFIDENTIAL] [REDACTED]  
22 [END CONFIDENTIAL] which is a [BEGIN CONFIDENTIAL] [REDACTED]  
23 [END CONFIDENTIAL] or 142.7% budget increase due to revised fuel cost and

1 test power revenue estimates during commissioning.

- 2 • Construction & Equipment – The current forecast is [BEGIN CONFIDENTIAL]  
3 [REDACTED] [END CONFIDENTIAL], which is [BEGIN CONFIDENTIAL]  
4 [REDACTED] [END CONFIDENTIAL] or 10.4% under the budget of [BEGIN  
5 CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL]. This favorable  
6 variance is mainly the result of a revised estimate in the EPC Contractor  
7 subcategory, which is partially offset by variances in the other subcategories.
- 8 • Contingency – The contingency funds originally budgeted as [BEGIN  
9 CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] have increased by  
10 approximately [BEGIN CONFIDENTIAL] [REDACTED] [END  
11 CONFIDENTIAL] or 24.8% to [BEGIN CONFIDENTIAL] [REDACTED]  
12 [END CONFIDENTIAL] in order to balance cost variations in the cost  
13 categories discussed above.

14 **Q. Do you believe that the Project expenditures you have identified are reasonable and**  
15 **prudently incurred for the approved development of the Biomass Conversion**  
16 **Projects?**

17 **A. Yes, I do. The Project expenditures are progressing in line with the overall budgetary**  
18 **plan.**

19 **Q. Does this conclude your pre-filed direct testimony in this proceeding?**

20 **A. Yes, it does.**



**BACKGROUND AND QUALIFICATIONS  
OF  
ROBERT B. MCKINLEY**

As Vice President – Generation Construction for Dominion Resources Services, Inc., Robert B. McKinley is responsible for the engineering and construction of existing and planned power station capital projects for Virginia Electric and Power Company (the “Company”) and its affiliates. A native of Holmes, Pennsylvania, Mr. McKinley is a 1981 graduate of Drexel University with a B.S. degree in electrical engineering. He is a member of the Institute of Electrical and Electronics Engineers.

Mr. McKinley joined the Company in 1981 as an assistant cost engineer in Power Station Engineering & Construction. Over the next several years, he held numerous positions in Engineering & Construction and Fossil & Hydro, including as a senior engineer and product specialist. Mr. McKinley became Director – Fossil & Hydro Engineering in 2001; Director – Fossil & Hydro Projects in 2004; and Station Director at Possum Point Power Station in 2005. He was named to his current position effective October 2007.

Mr. McKinley has previously presented testimony before the State Corporation Commission of Virginia and the North Carolina Utilities Commission.

ALTAVISTA - Project Cost Report - December 2012

Confidential Information Redacted

All values are in \$000's  
Estimate excludes financing cost

Budget Item	2010	2011	2012	2013	2014	Dec. 2012	SCC Budget	TOTALS	Variance
LAND									
Total Land and Development									
SOFT COST									
Project Management									
Outside Engineering									
Environmental									
R&H Engineering									
Legal									
Property Tax									
Other Miscellaneous									
subtotal									
STARTUP COST									
Total Startup									
subtotal									
CONSTRUCTION & EQUIPMENT									
EPC Contractor									
Total Equipment									
Sales Tax									
Recommissioning Costs									
Other Construction									
subtotal									
SUBTOTAL									
CONTINGENCY									
Contingency									
TOTAL Project	\$274	\$5,991	\$28,245	\$20,093	\$0	\$54,603	\$56,745		(\$2,142)

Confidential Information Redacted

Company Exhibit No. \_\_\_\_\_  
Witness: RBM  
Public Schedule I  
Page 1 of 3

HOPEWELL - Project Cost Report - December 2012

All values are in \$000's  
Estimate excludes financing cost

Confidential Information Redacted

Budget Item	2010	2011	2012	2013	2014	Dec. 2012	SCC Budget	TOTALS	Variance
	Actuals	Actuals	Actuals	Project.	Project.	TOTALS			
LAND									
Total Land and Development									
SOFT COST									
Project Management									
Outside Engineering									
Environmental									
F&H Engineering									
Legal									
Property Tax									
Other Miscellaneous									
subtotal									
STARTUP COST									
Total Startup									
subtotal									
CONSTRUCTION & EQUIPMENT									
EPC Contractor									
Total Equipment									
Sales Tax									
Recommissioning Costs									
Other Construction									
subtotal									
SUBTOTAL									
CONTINGENCY									
Contingency									
TOTAL Project	\$245	\$5,154	\$17,599	\$28,926	\$0	\$51,924	\$54,365		(\$2,441)

Confidential Information Redacted

Company Exhibit No. \_\_\_\_\_  
Witness: RBM  
Public Schedule 1  
Page 2 of 3

SOUTHAMPTON - Project Cost Report - December 2012

All values are in \$000's  
 Estimate excludes financing cost

Confidential Information Redacted

Budget Item	2010	2011	2012	2013	2014	Dec, 2012	SCC Budget	TOTALS	Variance
LAND									
Total Land and Development									
SOFT COST									
Project Management									
Outside Engineering									
Environmental									
F&H Engineering									
Legal									
Property Tax									
Other Miscellaneous									
subtotal									
STARTUP COST									
Total Startup									
subtotal									
CONSTRUCTION & EQUIPMENT									
EPC Contractor									
Total Equipment									
Sales Tax									
Recommissioning Costs									
Other Construction									
subtotal									
SUBTOTAL									
CONTINGENCY									
Contingency									
TOTAL Project	\$240	\$5,128	\$17,099	\$28,426	\$0	\$50,893	\$54,735		(\$3,842)

Confidential Information Redacted

Company Exhibit No. \_\_\_\_\_  
 Witness: RBM  
 Public Schedule 1  
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ALTAVISTA CASHFLOWS  
 WITHOUT SALES TAX

All values are in \$000's

Actuals through December 2012		PROJECT																					
	TOTAL	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022									
		May	Apr	Mar	Feb	Jan	Dec	Nov	Oct	Sep	Aug	Jul	Jun	May									
Cashflows without Sales Tax	53,724	274	5,891	27,876	19,783	0	0	0	0	0	0	3	13	13	19	57	142	(26)	157	92	275	53	
Sales Tax	879	0	0	569	310	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Cashflows	54,603	274	5,891	28,245	20,093	0	0	0	0	0	0	3	13	13	19	57	142	(26)	157	92	275	53	

Company Exhibit No. \_\_\_\_\_  
 Witness: RBM  
 Schedule 2  
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ALTAVISTA CASHFLOWS  
 WITHOUT SALES TAX

Actuals through December 2012  
 All values are in \$000's

	Jun 2011	Jul 2011	Aug 2011	Sep 2011	Oct 2011	Nov 2011	Dec 2011	Jan 2012	Feb 2012	Mar 2012	Apr 2012	May 2012	Jun 2012	Jul 2012	Aug 2012	Sep 2012	Oct 2012	Nov 2012	Dec 2012	Jan 2013	Feb 2013	Mar 2013	Apr 2013	May 2013	Jun 2013	
Cashflows without Sales Tax	117	197	503	1,466	276	1,917	1,004	3,584	1,409	2,633	1,835	1,191	86	1,032	987	2,859	2,411	3,621	1,536	3,977	3,553	2,421	644	2,855	2,563	2,320
Sales Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	375	0	74	34	0	10	79	100	100	21
Total Cashflows	117	197	503	1,466	276	1,917	1,004	3,584	1,409	2,633	1,835	1,191	86	1,032	987	2,859	2,786	3,621	1,612	4,011	3,553	2,431	823	2,855	2,663	2,341

**ALTAVISTA CASHFLOWS  
WITHOUT SALES TAX**

	Jul 2013	Aug 2013	Sep 2013	Oct 2013	Nov 2013	Dec 2013	Jan 2014	Feb 2014	Mar 2014	Apr 2014	May 2014	Jun 2014	Jul 2014	Aug 2014	Sep 2014	Oct 2014	Nov 2014	Dec 2014	
Actuals through December 2012 All values are in \$000's																			
Cashflow without Sales Tax	1,135	330	284	28	0	3,446	0	0	0	0	0	0	0	0	0	0	0	0	0
Sales Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Cashflows	1,135	330	284	28	0	3,446	0	0	0	0	0	0	0	0	0	0	0	0	0





Company Exhibit No. \_\_\_\_\_  
 Witness: RBM  
 Schedule 2  
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HOPWELL CASHFLOWS  
 WITHOUT SALES TAX

Actuals through December 2012  
 All values are in \$000's

	Jun 2011	Jul 2011	Aug 2011	Sep 2011	Oct 2011	Nov 2011	Dec 2011	Jan 2012	Feb 2012	Mar 2012	Apr 2012	May 2012	Jun 2012	Jul 2012	Aug 2012	Sep 2012	Oct 2012	Nov 2012	Dec 2012	Jan 2013	Feb 2013	Mar 2013	Apr 2013	May 2013	Jun 2013
Cashflows without Sales Tax	136	208	538	1,288	35	1,862	756	2,888	1,905	582	3,388	1,342	(114)	1,775	738	857	2,806	544	878	625	1,485	1,462	6,178	1,854	4,740
Sales Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	351	0	53	34	0	10	20	100	100	100
Total Cashflows	136	208	538	1,288	35	1,862	756	2,888	1,905	582	3,388	1,342	(114)	1,775	738	857	2,806	544	878	625	1,485	1,462	6,178	1,854	4,740



Company Exhibit No. \_\_\_\_\_  
 Witness: RBM  
 Schedule 2  
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SOUTHAMPTON CASHFLOWS  
 WITHOUT SALES TAX

Actuals through December 2012  
 All values are in \$000's

PROJECT	2010	2011	2012	2013	2014	Jan 2010	Feb 2010	Mar 2010	Apr 2010	May 2010	Jun 2010	Jul 2010	Aug 2010	Sep 2010	Oct 2010	Nov 2010	Dec 2010	Jan 2011	Feb 2011	Mar 2011	Apr 2011	May 2011	
Cashflows without Sales Tax	50,028	240	5,128	16,658	28,001	0	0	0	0	0	4	15	15	32	15	37	122	(48)	81	77	115	89	
Sales Tax	865	0	0	441	425	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Cashflows	50,893	240	5,128	17,099	28,426	0	0	0	0	0	4	15	15	32	15	37	122	(49)	81	77	115	89	

SOUTHAMPTON CASHFLOWS  
 WITHOUT SALES TAX

Actuals through December 2012  
 All values are in \$000's

	Jun 2011	Jul 2011	Aug 2011	Sep 2011	Oct 2011	Nov 2011	Dec 2011	Jan 2012	Feb 2012	Mar 2012	Apr 2012	May 2012	Jun 2012	Jul 2012	Aug 2012	Sep 2012	Oct 2012	Nov 2012	Dec 2012	Jan 2013	Feb 2013	Mar 2013	Apr 2013	May 2013	Jun 2013
Cashflows without Sales Tax	96	169	441	1,265	61	2,097	665	2,812	898	1,320	3,325	817	232	371	2,150	527	3,237	259	409	329	563	304	4,126	1,768	2,335
Sales Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	354	0	53	24	0	10	14	50	100	100
Total Cashflows	96	169	441	1,265	61	2,097	665	2,812	898	1,320	3,325	817	232	371	2,150	880	3,237	312	443	329	574	318	4,176	1,868	2,435

**SOUTHAMPTON CASHFLOWS  
WITHOUT SALES TAX**

Actuals through December 2012  
All values are in \$000's

	Jul 2013	Aug 2013	Sep 2013	Oct 2013	Nov 2013	Dec 2013	Jan 2014	Feb 2014	Mar 2014	Apr 2014	May 2014	Jun 2014	Jul 2014	Aug 2014	Sep 2014	Oct 2014	Nov 2014	Dec 2014	
Cashflows without Sales Tax	3,181	4,608	2,538	1,068	949	6,232	0	0	0	0	0	0	0	0	0	0	0	0	0
Sales Tax	100	50	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Cashflows</b>	<b>3,281</b>	<b>4,658</b>	<b>2,538</b>	<b>1,068</b>	<b>949</b>	<b>6,232</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

30620149

Bragg

**DIRECT TESTIMONY  
OF  
SIDNEY J. BRAGG  
ON BEHALF OF  
VIRGINIA ELECTRIC AND POWER COMPANY  
BEFORE THE  
STATE CORPORATION COMMISSION OF VIRGINIA  
CASE NO. PUE-2013-00060**

1 **Q. Please state your name, business address, and position with Virginia Electric and**  
2 **Power Company (“Dominion Virginia Power” or the “Company”).**

3 A. My name is Sidney J. Bragg, and I am Director of Fossil and Hydro Operations for the  
4 Company. My business address is 5000 Dominion Boulevard, Glen Allen, Virginia  
5 23060. A statement of my background and qualifications is attached as Appendix A.

6 **Q. Please describe your areas of responsibility with the Company.**

7 A. Generally, I am responsible for providing operating, budget, and other general  
8 administrative functions for the Company’s regulated Fossil & Hydro generating fleet.  
9 Specifically, I am responsible for managing regulated fleet operations, outage budgets  
10 and schedules, capital budgets, various reporting requirements, and other support needs  
11 as required.

12 **Q. What is the purpose of your testimony in this Rider B annual update filing**  
13 **proceeding?**

14 A. The purpose of my testimony is to provide the Commission with an update of the  
15 projected post-COD O&M and capital expenditures for the period beginning January 1,  
16 2014 through March 31, 2014 and for the rate year beginning April 1, 2014 and ending  
17 March 31, 2015 for each of the modified Altavista, Hopewell and Southampton Power  
18 Stations (collectively, the “Biomass Conversion Projects” or the “Projects”).

1 **Q. During the course of your testimony, will you introduce an exhibit?**

2 A. Yes. Company Exhibit No. \_\_, SJB, consisting of Confidential Schedules 1-3, was  
3 prepared under my supervision and direction and is accurate and complete to the best of  
4 my knowledge and belief. I am also sponsoring Filing Schedule 46B.

5 Rule 60 of the Commission's Rules Governing Utility Rate Applications and Annual  
6 Informational Filings (the "Rate Case Rules"), 20 VAC 5-201-60, requires the Company  
7 to include Schedule 46 with its rate adjustment clause filing. As described by Rule 90 of  
8 the Rate Case Rules, 20 VAC 5-201-90, the Company must provide in Schedule 46 all  
9 documents, contracts, studies, investigations, or correspondence that support projected  
10 costs to be recovered via a rate adjustment clause. Filing Schedule 46B provides such  
11 information and documentation supporting the projected O&M and capital expenditures I  
12 am sponsoring.

13 **Q. How does the Company plan O&M and capital budgets for generating facilities like**  
14 **the Biomass Conversion Projects?**

15 A. The Company maintains O&M and capital budget plans that extend out five years into  
16 the future. These plans are based on expected operating levels, staffing, planned outages,  
17 and minor capital improvements. The current Five-Year O&M Budget Plan and Five-  
18 Year Capital Budget Plan for the Biomass Conversion Projects are attached as my  
19 Confidential Schedule 1.

20 **Q. What served as the basis for the budgeted O&M and capital expenditures for the**  
21 **Biomass Conversion Projects?**

22 A. Consistent with the Company's approach presented in the Company's previous annual



1 update filings, the Company performed an analysis of estimated O&M and capital  
2 expenditures for the Biomass Conversion Projects based on a number of sources. For  
3 direct O&M and capital expenditures, where the Company has existing contracts for  
4 third-party services, the prices contained in those contracts were used to project O&M  
5 and capital costs. For other direct O&M and capital expenditures, where third-party  
6 contracts do not exist, the Company based its projections on a review of actual  
7 expenditures for the Company's Pittsylvania generating facility. The Pittsylvania  
8 generating facility has equipment similar to the Biomass Conversion Projects, and the  
9 operating characteristics and requirements are similar. The O&M and capital  
10 requirements for this facility were scaled up to account for the additional equipment  
11 associated with a different fuel feed system for the Projects. In the case of Altavista,  
12 which has been mothballed since October of 2010, Pittsylvania was used to a greater  
13 extent as there was no current operating data.

14 The Biomass Projects are operated by contractors on the Company's behalf under an  
15 O&M agreement. Salaried and hourly contractor cost projections are based on the  
16 existing salaries of these contractors.

17 **Q. What other direct expenses are included in the Biomass Projects' budgets, and how**  
18 **were they projected?**

19 A. Consistent with the Company's approach previously presented in Rider B, Rider W,  
20 Rider R and Rider S annual updates, the Projects' budgets include direct O&M expenses  
21 for the Biomass Conversion Projects from the Company's Shared Services group. The  
22 Shared Services group is responsible for providing Dominion Resources, Inc. operating  
23 companies with business support services. Shared Services consists of four business

1 groups: Facilities Management, Fleet Services, Risk Management, and Supply Chain  
2 Management. The Shared Services expenses for the Biomass Conversion Projects  
3 support cost for vehicle expenses. Vehicle expenses are directly related to the actual on-  
4 site vehicles and cover any lease, fuel, and maintenance expenses. This includes only  
5 Shared Services costs directly associated with the operation and maintenance of the  
6 Biomass Conversion Projects, and they are determined based on the expected number of  
7 Project vehicles.

8 **Q. Mr. Bragg, please describe the Biomass Conversion Projects' projected post-COD**  
9 **O&M expenses for the period beginning January 1, 2014 and ending March 31,**  
10 **2015.**

11 A. The projected post-COD O&M expenses for the period beginning January 1, 2014  
12 through March 31, 2014 are \$4,908,338 for Altavista, \$2,836,423 for Hopewell and  
13 \$5,459,726 for Southampton. These expenses are 23% higher than previously projected  
14 for the period in Company Witness David W. Faison's testimony filed in Case No. PUE-  
15 2012-00072. This increase is due to the scheduled Altavista turbine maintenance outage  
16 moving from 2015 to 2014. For the rate year beginning April 1, 2014 and ending March  
17 31, 2015, the projected post-COD expenses are \$9,356,633 for Altavista, \$12,326,674 for  
18 Hopewell, and \$9,227,191 for Southampton. These expenses are detailed in my  
19 Confidential Schedule 2. These projections are based on expenses associated with  
20 expected staffing levels, training, and supplies at the Station necessary to support  
21 commercial operations activities.

1 **Q. What are the projected post-COD capital expenditures for the Biomass Conversion**  
2 **Projects for the period beginning January 1, 2014 and ending March 31, 2015?**

3 A. The projected post-COD capital expenditures for the Projects for the period beginning  
4 January 1, 2014 through March 31, 2014, are \$150,000 for Altavista, \$113,751 for  
5 Hopewell and \$72,501 for Southampton. The total of these expenditures is not  
6 significantly different than previously projected for the period in Mr. Faison's testimony  
7 filed in Case No. PUE-2012-00072. For the rate year beginning April 1, 2014 and ending  
8 March 31, 2015, the projected post-COD capital expenditures are \$604,500 for Altavista,  
9 \$454,997 for Hopewell and \$290,000 for Southampton. These expenditures are detailed  
10 in my Schedule 3. These budgeted capital expenditures are for capital items such as tools  
11 and equipment additions needed to support the Projects' operations.

12 **Q. Do you believe that the Projects' expenditures that you have identified are**  
13 **reasonable and prudently incurred for operation of the Biomass Conversions?**

14 A. Yes, I do.

15 **Q. Does this conclude your pre-filed direct testimony in this proceeding?**

16 A. Yes, it does.

17

**BACKGROUND AND QUALIFICATIONS  
OF  
SIDNEY J. BRAGG**

As Director of Fossil and Hydro Operations – Fossil and Hydro Operations Support, Sidney J. Bragg is responsible for Regulated System Fossil and Hydro Fleet support, which includes fleet operations and dispatch management, budgeting, performance statistics and reporting, and other support functions as required.

Mr. Bragg joined Dominion in November 1982 as an Associate Engineer at the Bath County Pumped Storage Station. Since that time he has held various Engineering and Operations Management positions at Bath County, Bremo Power Station, Chesterfield Power Station, and the Innsbrook Corporate offices. He assumed his current position in 2007.

Mr. Bragg is a native of Richmond, Virginia. He received a Bachelor of Science in Mechanical Engineering from Virginia Polytechnic Institute and State University in 1981.

Prior to joining Dominion, Mr. Bragg worked for US Steel in Pittsburgh, Pennsylvania in their power generation facilities.

Mr. Bragg has previously presented testimony before the State Corporation Commission of Virginia.

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	Budget 2013	Budget 2014	Budget 2015	Budget 2016	Budget 2017
Contracted Labor	-	-	-	-	-
Vehicles	-	-	-	-	-
Training Expenses	-	-	-	-	-
Environmental Operating Permits	-	-	-	-	-
Utility Expenses	-	-	-	-	-
Chemicals for Operations	-	-	-	-	-
Ammonia	-	-	-	-	-
Water Usage	-	-	-	-	-
Limestone	-	-	-	-	-
Ash Hauling	-	-	-	-	-
Materials / Supplies	-	-	-	-	-
Contractor / Outside Services	-	-	-	-	-
Outage Expenses	-	-	-	-	-
Other Expenses	-	-	-	-	-
<b>Total</b>	-	11,598,480	9,546,798	9,991,290	9,896,560

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Altavista Five-Year Capital Budget

Budget	Budget	Budget	Budget	Budget	
2013	2014	2015	2016	2017	
-	-	-	-	-	Project Capital*
-	-	-	-	-	Blanket Capital**
-	-	-	-	-	Replace Baghouse Bags
-	600,000	618,000	1,660,000	656,000	Total

\* Project Capital is for larger value units of property and equipment requiring periodic replacement and repair due to wear and obsolescence, etc., such as control system equipment, pumps, large valves, etc.

\*\* Blanket Capital is for small value units of property such as valves, tools and equipment needed for the station.

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	Budget 2013	Budget 2014	Budget 2015	Budget 2016	Budget 2017
Contracted Labor	-	-	-	-	-
Vehicles	-	-	-	-	-
Training Expenses	-	-	-	-	-
Environmental Operating Permits	-	-	-	-	-
Utility Expenses	-	-	-	-	-
Chemicals for Operations	-	-	-	-	-
Ammonia	-	-	-	-	-
Water Usage	-	-	-	-	-
Limestone	-	-	-	-	-
Ash Hauling	-	-	-	-	-
Materials / Supplies	-	-	-	-	-
Contractor / Outside Services	-	-	-	-	-
Outage Expenses	-	-	-	-	-
Other Expenses	-	-	-	-	-
<b>Total</b>	-	9,642,214	12,451,981	9,970,436	10,373,783

Hopewell Five-Year O&M Budget

Confidential Information Redacted

	Budget 2013	Budget 2014	Budget 2015	Budget 2016	Budget 2017
Project Capital*	-	-	-	-	-
Blanket Capital**	-	-	-	-	-
Replace Baghouse Bags	-	-	-	-	-
<b>Total</b>	-	455,000	455,000	1,755,000	721,000

\* Project Capital is for larger value units of property and equipment requiring periodic replacement and repair due to wear and obsolescence, etc., such as control system equipment, pumps, large valves, etc.  
 \*\* Blanket Capital is for small value units of property such as valves, tools and equipment needed for the station.

Hopewell Five-Year Capital Budget



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Southampton Five-Year O&M Budget

	Budget 2013	Budget 2014	Budget 2015	Budget 2016	Budget 2017
Contracted Labor	-	-	-	-	-
Vehicles	-	-	-	-	-
Training Expenses	-	-	-	-	-
Environmental Operating Permits	-	-	-	-	-
Utility Expenses	-	-	-	-	-
Chemicals for Operations	-	-	-	-	-
Ammonia	-	-	-	-	-
Water Usage	-	-	-	-	-
Limestone	-	-	-	-	-
Ash Hauling	-	-	-	-	-
Materials / Supplies	-	-	-	-	-
Contractor / Outside Services	-	-	-	-	-
Outage Expenses	-	-	-	-	-
Other Expenses	-	-	-	-	-
<b>Total</b>	-	11,993,673	9,437,445	10,049,656	9,880,192

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Southampton Five-Year Capital Budget Plan

	Budget 2013	Budget 2014	Budget 2015	Budget 2016	Budget 2017
Project Capital*	-	-	-	-	-
Blanket Capital**	-	-	-	-	-
Replace Baghouse Bags	-	-	-	-	-
Total	-	290,000	290,000	1,969,000	927,000

\* Project Capital is for larger value units of property and equipment requiring periodic replacement and repair due to wear and obsolescence, etc., such as control system equipment, pumps, large valves, etc.

\*\* Blanket Capital is for small value units of property such as valves, tools and equipment needed for the station.

Alavista Projected Post-COD O&M Expenses  
 January 1, 2014 - March 31, 2016

	January 2014	February 2014	March 2014	April 2014	May 2014	June 2014	July 2014	August 2014	September 2014	October 2014	November 2014	December 2014
Contracted Labor												
Vehicles												
Training Expenses												
Environmental Operating Permits												
Utility Expenses												
Chemicals for Operations												
Ammonia												
Water Usage												
Lime/Stone												
Ash Hauling												
Materials / Supplies												
Contractor / Outside Services												
Outage Expenses												
Other Expenses												
<b>Total</b>	<b>719,224</b>	<b>730,233</b>	<b>3,458,881</b>	<b>700,461</b>	<b>766,965</b>	<b>709,800</b>	<b>733,455</b>	<b>703,974</b>	<b>726,721</b>	<b>923,278</b>	<b>707,842</b>	<b>728,666</b>

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Alavista Projected Post-COD O&M Expenses  
January 1, 2014 - March 31, 2016

- Contracted Labor
- Vehicles
- Training Expenses
- Environmental Operating Permits
- Utility Expenses
- Chemicals for Operations
- Ammonia
- Water Usage
- Limestone
- Ash Hauling
- Materials / Supplies
- Contractor / Outside Services
- Outage Expenses
- Other Expenses
- Total**

	January 2015	February 2015	March 2015	April 2015	May 2015	June 2015	July 2015	August 2015	September 2015	October 2015	November 2015	December 2015
	736,363	739,448	1,190,680	738,535	756,729	717,973	736,363	747,807	735,382	927,258	748,609	771,751

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Atavista Projected Post-COD O&M Expenses  
 January 1, 2014 - March 31, 2016

	January 2016	February 2016	March 2016
Contracted Labor			
Vehicles			
Training Expenses			
Environmental Operating Permits			
Utility Expenses			
Chemicals for Operations			
Ammonia			
Water Usage			
Limestone			
Ash Hauling			
Materials / Supplies			
Contractor / Outside Services			
Odge Expenses			
Other Expenses			
<b>Total</b>	<b>760,597</b>	<b>742,074</b>	<b>1,472,716</b>

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Hopewell Projected Post-COD O&M Expenses  
 January 1, 2014 - March 31, 2016

	January 2014	February 2014	March 2014	April 2014	May 2014	June 2014	July 2014	August 2014	September 2014	October 2014	November 2014	December 2014
Contracted Labor												
Vehicles												
Training Expenses												
Environmental Operating Permits												
Utility Expenses												
Chemicals for Operations												
Ammonia												
Water Usage												
Limestone												
Ash Hauling												
Materials / Supplies												
Contractor / Outside Services												
Outage Expenses												
Other Expenses												
<b>Total</b>	748,174	728,453	1,361,798	699,888	729,008	735,466	774,438	748,104	718,219	919,162	733,331	748,175

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Hopewell Projected Post-COD O&M Expenses  
January 1, 2014 - March 31, 2016

	January 2015	February 2015	March 2015	April 2015	May 2015	June 2015	July 2015	August 2015	September 2015	October 2015	November 2015	December 2015
Contracted Labor												
Vehicles												
Training Expenses												
Environmental Operating Permits												
Utility Expenses												
Chemicals for Operations												
Ammonia												
Water Usage												
Limestone												
Ash Hauling												
Materials / Supplies												
Contractor / Outside Services												
Outage Expenses												
Other Expenses												
<b>Total</b>	<b>771,611</b>	<b>743,160</b>	<b>4,006,122</b>	<b>640,220</b>	<b>759,692</b>	<b>759,332</b>	<b>790,360</b>	<b>769,742</b>	<b>758,768</b>	<b>931,304</b>	<b>753,269</b>	<b>769,621</b>

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Hopewell Projected Post-COD O&M Expenses  
 January 1, 2014 - March 31, 2016

	January 2016	February 2016	March 2016
Contracted Labor			
Vehicles			
Training Expenses			
Environmental Operating Permits			
Utility Expenses			
Chemicals for Operations			
Ammonia			
Water Usage			
Limestone			
Ash Hauling			
Materials / Supplies			
Contractor / Outside Services			
Outage Expenses			
Other Expenses			
<b>Total</b>	<b>744,869</b>	<b>765,742</b>	<b>1,210,902</b>

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Southampton Projected Post-COD O&M Expenses  
 January 1, 2014 - March 31, 2016

- Contracted Labor
- Vehicles
- Training Expenses
- Environmental Operating Permits
- Utility Expenses
- Chemicals for Operations
- Ammonia
- Water Usage
- Limestone
- Ash Hauling
- Materials / Supplies
- Contractor / Outside Services
- Outage Expenses
- Other Expenses
- Total

	January 2014	February 2014	March 2014	April 2014	May 2014	June 2014	July 2014	August 2014	September 2014	October 2014	November 2014	December 2014
	727,441	739,740	3,952,645	647,059	700,212	724,836	732,448	709,038	718,584	862,803	698,350	740,617

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Southampton Projected Post-COD O&M Expenses  
 January 1, 2014 - March 31, 2016

	January 2016	February 2015	March 2015	April 2015	May 2015	June 2015	July 2015	August 2015	September 2015	October 2015	November 2015	December 2015
Contracted Labor												
Vehicles												
Training Expenses												
Environmental Operating Permits												
Utility Expenses												
Chemicals for Operations												
Ammonia												
Water Usage												
Limestone												
Ash Hauling												
Materials / Supplies												
Contractor / Outside Services												
Outage Expenses												
Other Expenses												
<b>Total</b>	<b>710,116</b>	<b>765,404</b>	<b>1,227,724</b>	<b>686,931</b>	<b>753,948</b>	<b>715,453</b>	<b>762,034</b>	<b>749,251</b>	<b>722,778</b>	<b>931,209</b>	<b>709,860</b>	<b>712,749</b>

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Southampton Projected Post-COD O&M Expenses  
January 1, 2014 - March 31, 2016

	January 2016	February 2016	March 2016
Contracted Labor			
Vehicles			
Training Expenses			
Environmental Operating Permits			
Utility Expenses			
Chemicals for Operations			
Ammonia			
Water Usage			
Limestone			
Ash Hauling			
Materials / Supplies			
Contractor / Outside Services			
Outage Expenses			
Other Expenses			
<b>Total</b>	<b>797,070</b>	<b>728,774</b>	<b>1,490,170</b>

Atavista Projected Post-COD Capital Expenses  
 January 1, 2014 - March 31, 2016

Project Capital\*  
 Blanket Capital\*\*  
 Replace Baghouse Bags  
 Total

January 2014	February 2014	March 2014	April 2014	May 2014	June 2014	July 2014	August 2014	September 2014	October 2014	November 2014	December 2014
50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000

\* Project Capital is for larger value units of property and equipment requiring periodic replacement and repair due to wear and obsolescence, etc., such as control system equipment, pumps, large valves, etc.  
 \*\* Blanket Capital is for small value units of property such as valves, tools and equipment needed for the station.

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Alavista Projected Post-COD Capital Expenses  
 January 1, 2014 - March 31, 2016

	January 2015	February 2015	March 2015	April 2015	May 2015	June 2015	July 2015	August 2015	September 2015	October 2015	November 2015	December 2015
Project Capital*												
Blanket Capital**												
Replace Baghouse Bags												
<b>Total</b>	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500

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Altavista Projected Post-COD Capital Expenses  
January 1, 2014 - March 31, 2016

	January 2016	February 2016	March 2016
Project Capital*			
Blanket Capital**			
Replace Baghouse Bags			
<b>Total</b>	<b>53,083</b>	<b>53,083</b>	<b>53,083</b>

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January 2014	37,917
February 2014	37,917
March 2014	37,917
April 2014	37,917
May 2014	37,917
June 2014	37,917
July 2014	37,917
August 2014	37,917
September 2014	37,917
October 2014	37,917
November 2014	37,917
December 2014	37,913

Hopewell Projected Post-OD Capital Expenses  
 January 1, 2014 - March 31, 2016

Project Capital  
 Blanket Capital  
 Total

\* Project Capital is for larger value units of property and equipment requiring periodic replacement and repair due to wear and obsolescence, etc., such as control system equipment, pumps, large valves, etc.  
 \*\* Blanket Capital is for small value units of property such as valves, tools and equipment needed for the station.





Hopewell Projected Post-COD Capital Expenses  
January 1, 2014 - March 31, 2016

	January 2016	February 2016	March 2016
Project Capital*			
Blanket Capital**			
Total	58,333	58,333	58,333

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Month	2014	2014	2014	2014	2014	2014	2014	2014	2014	2014	2014	2014	2014	2014	2014	2014	2014	2014	2014
January	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167
February	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167
March	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167
April	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167
May	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167
June	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167
July	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167
August	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167
September	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167
October	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167
November	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167	24,167
December	24,163	24,163	24,163	24,163	24,163	24,163	24,163	24,163	24,163	24,163	24,163	24,163	24,163	24,163	24,163	24,163	24,163	24,163	24,163

Southampton Projected Post-COD Capital Expenses  
 January 1, 2014 - March 31, 2016

Project Capital\*  
 Blanket Capital\*\*  
 Replace Baghouse Bags  
 Total

\* Project Capital is for larger value units of property and equipment requiring periodic replacement and repair due to wear and obsolescence, etc., such as control system equipment, pumps, large valves, etc.  
 \*\* Blanket Capital is for small value units of property such as valves, tools and equipment needed for the station.

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January 2015	24,167
February 2015	24,167
March 2015	24,167
April 2015	24,167
May 2015	24,167
June 2015	24,167
July 2015	24,167
August 2015	24,167
September 2015	24,167
October 2015	24,167
November 2015	24,167
December 2015	24,163

Southampton Projected Post-COD Capital Expenses  
January 1, 2014 - March 31, 2016

Project Capital  
Blanket Capital  
Replace Baghouse Bags  
Total

Southampton Projected Post-COD Capital Expenses  
January 1, 2014 - March 31, 2016

	January 2016	February 2016	March 2016
Project Capital*			
Blanket Capital**			
Replace Baghouse Bags			
Total	75,000	75,000	75,000

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