

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by
Progress Energy Florida, Inc.

Docket No. 050078-EI

Submitted for filing:
August 5, 2005

REBUTTAL TESTIMONY OF
DALE OLIVER, P.E.

On behalf of PROGRESS ENERGY FLORIDA

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**REBUTTAL TESTIMONY OF
DALE OLIVER**

1 **I. Introduction and Purpose**

2 **Q. Please state your name.**

3 A. My name is Dale Oliver.

4
5 **Q. Did you submit Direct Testimony in this case on April 29, 2005?**

6 A. Yes.

7
8 **Q. Have you reviewed the intervenor testimony filed on behalf of the Florida
9 Retail Federation (“FRF”)?**

10 A. Yes. My review focused on the testimony of FRF witness Sheree L. Brown, and
11 particularly on her comments related to distribution, transmission, and the
12 Commitment to Excellence (“CTE”).
13

14 **Q. What is the purpose of your rebuttal testimony in this proceeding?**

15 A. The purpose of my rebuttal testimony is to respond to certain mischaracterizations
16 by Ms. Brown testimony regarding Progress Energy Florida’s (“PEF’s” or the
17 “Company’s”) distribution and transmission reliability spending and CTE through
18 2004 following the settlement of PEF’s prior rate case.
19

20 **II. Reliability Spending and CTE**

21 **Q. Ms. Brown argues that PEF overstated distribution and transmission
22 reliability costs in Docket No. 000824-EI and has not, in fact, spent what it**

1 **represented to the Commission that it would spend over the past three years.**

2 **Do you agree?**

3 A. No. Ms. Brown is referring to testimony submitted by Robert Sipes and Sarah
4 Rogers on November 15, 2001 in association with the Company's prior rate case.
5 These spending recommendations, which represented a balanced outage mitigation
6 and fault prevention program, were part of the Company's overall filing that called
7 for a \$5 million annual rate reduction for our customers. This filing proposal was
8 superseded by a Stipulation and Settlement Agreement (the "2002 Settlement")
9 entered into by the Company and intervenors, including Ms. Brown's client at that
10 time, that was approved by the Commission.

11
12 **Q. What is your understanding of the major terms of the 2002 Settlement?**

13 A. The 2002 Settlement included benefits for both sides. For customers, the
14 Company agreed to, among other things, reduce base rates by an annual amount of
15 \$125 million in revenues and to reduce System Average Interruption Duration
16 Index ("SAIDI") by 20% or to 80 minutes by 2004 or refund customers up to \$3
17 million. The 2002 Settlement also required the Company to share revenues with
18 customers above a threshold amount. For the Company, the revenue sharing
19 mechanism replaced the traditional ROE range and provided the Company the
20 opportunity for higher earnings.

21
22 **Q. Did the spending recommendations submitted by Mr. Sipes and Ms. Rogers**
23 **in the last rate case carry over into the Company's subsequent commitments**
24 **under the terms of the 2002 Settlement?**

1 A. Clearly not. The programs identified in Mr. Sipes' and Ms. Rogers' testimony in
2 Docket No. 000824-EI were based on an annual \$5 million rate reduction and not
3 on the annual \$125 million rate reduction that PEF and the intervenors ultimately
4 agreed to under the 2002 Settlement. The 2002 Settlement did not mandate the
5 programs identified in Mr. Sipes' and Ms. Rogers' testimony and, beyond this, it is
6 not reasonable to think the Company could reduce revenue by almost \$500 million
7 over the term of the 2002 Settlement with no change in underlying spending.
8 Based on the 2002 Settlement, PEF necessarily re-prioritized programs to focus on
9 outage mitigation measures. Within that context, which Ms. Brown fails to
10 mention in her testimony, PEF nonetheless spent \$123 million from 2002 to 2004
11 on key reliability initiatives over and above the normal, budgeted amounts. These
12 initiatives are shown in Exhibit DO-1 to my direct testimony, and represent a very
13 significant commitment to reliability and operational excellence. Ms. Brown's
14 misstatement that the Company "overestimated" its distribution expenses in
15 Docket No. 000824-EI is disingenuous and ignores the 2002 Settlement her client
16 signed following the submittal of Mr. Sipes' and Ms. Rogers' initial testimony in
17 that case.

18
19 **Q. How did the Company develop the CTE program and set spending levels?**

20 A. We developed our CTE program to, at a minimum, meet the commitments of our
21 agreement and reduce SAIDI to 80 minutes by 2004. Beyond that, we designed
22 the program to broadly improve the Company's operations and improve service to
23 our customers. We prioritized initiatives with the potential to produce the greatest
24 improvements. As a general rule, this guided us to prioritize outage mitigation
25 programs, which proved to be highly effective in reducing the average duration of

1 outages and in reducing the number of customers affected by those outages that
2 did occur.

3
4 **Q. Did you successfully complete CTE?**

5 A. Yes. The Company achieved the goals outlined in its CTE program. As I
6 explained in my direct testimony, PEF's 2000 distribution SAIDI of 100.6 minutes
7 was reduced by 23% to 77 minutes by 2004, exceeding our commitment of a 20%
8 reduction and 80 minutes. In the area of transmission, we reduced transmission
9 SAIDI by 37% from 2002 to 2004. Beyond this, we also made improvements in
10 several other reliability measures and in numerous other areas of our overall
11 operations. The breadth and magnitude of our reliability improvement is
12 highlighted in the Commission's most recent "Review of Florida's Investor-
13 Owned Electric Utilities' Distribution Reliability" report. This most recent review
14 of reliability covers the four-year period from 2000 through 2003 and shows that
15 PEF demonstrated improvement on seven of eight reliability metrics examined. I
16 am very proud of this success and believe that we have exceeded the obligations of
17 our agreement. As I mentioned above, however, this is not to say that we
18 completed all of the initiatives as outlined in the direct testimony of Mr. Sipes and
19 Ms. Rogers in Docket No. 000824-EI. Many of those items, primarily those
20 initiatives associated with fault prevention, have been carried forward and included
21 in our current reliability proposal as described in the direct testimony of David
22 McDonald and Ray DeSouza.

23
24 **Q. Ms. Brown argues that incremental test year distribution reliability spending**
25 **of \$18.7 million proposed by Mr. McDonald in this docket should be reduced**

1 **by \$10.038 million and incremental transmission reliability spending of \$10**
2 **million proposed by Mr. DeSouza in this docket should be reduced by \$2.189**
3 **million. Do you agree?**

4 A. No. Ms. Brown recommends these reductions on the basis of a flawed principle.
5 In essence, she calculates CTE spending as a percentage of the original, as-filed,
6 reliability spending proposals in Docket No. 000824-EI and recommends that the
7 Commission only approve the same proportion of this request. As I've described
8 above, the 2002 Settlement renders the relationship between these two items
9 absolutely meaningless. Since Ms. Brown's premise is flawed, it should not have
10 any bearing on this proceeding.

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

13 A. Yes.
14