

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

Docket No.090079-EI

Submitted for filing:
March 20, 2009

**DIRECT TESTIMONY OF
JACKIE JOYNER JR.**

On behalf of PROGRESS ENERGY FLORIDA

DOCUMENT NUMBER DATE

02425 MAR 20 09

FPSC-COMMISSION CLERK

**PROGRESS ENERGY FLORIDA
DOCKET NO. 090079-EI**

**Petition for rate increase
by Progress Energy Florida, Inc.**

**DIRECT TESTIMONY OF
JACKIE JOYNER JR.**

1 **I. Introduction and Summary.**

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

3 A. My name is Jackie Joyner. My business address is 299 First Avenue North, St.
4 Petersburg, Florida 33701.

5
6 **Q. By whom are you employed and in what capacity?**

7 A. I am employed by Progress Energy Florida ("PEF" or "the Company") in the
8 capacity of Vice President of Distribution - Florida.

9
10 **Q. What are the duties and responsibilities of your position with PEF?**

11 A. As Vice President of Distribution - Florida, I direct and manage the
12 development of PEF's distribution strategic programs and compliance policies
13 within the following functional areas: distribution asset management;
14 distribution services; distribution resource management and construction;
15 distribution training and safety; and the distribution control center.

16
17 **Q. Please describe your educational background and professional experience.**

1 A. I earned a Bachelor of Science degree in Electrical Engineering from the
2 University of Tennessee in 1985. In 1994, I earned a Master of Business
3 Administration degree from Nova Southeastern University. I also attended
4 leadership training courses at the University of North Carolina and Duke
5 University. Prior to assuming my current role for PEF, I was the Regional
6 Vice President, Energy Delivery -- Progress Energy Carolinas (PEC),
7 responsible for the execution of asset management programs, construction of
8 new electrical infrastructure, and restoration of electric service for 350,000
9 customers in an 18-county area of eastern North Carolina. I also served as
10 Director -- Asset Management for PEC and Supervisor -- Distribution Control
11 Center -- PEC. Prior to joining Progress Energy in 2000, I held a number of
12 supervisory and management positions for Florida Power & Light Company.

13
14 **Q. What is the purpose of your direct testimony?**

15 A. The purpose of my direct testimony is to support the reasonableness of Capital
16 and Operations and Maintenance ("O&M") expenses in the Company's
17 distribution area.

18
19 **Q. Do you have any exhibits to your testimony?**

20 A. Yes, I have prepared or supervised the preparation of the following exhibits to
21 my direct testimony:

- 22 • Exhibit No. __ (JJ-1), a summary of sponsored or co-sponsored schedules of
23 the Company's Minimum Filing Requirements ("MFRs");

- 1 • Exhibit No. __ (JJ-2), a summary of Distribution reliability results for the years
2 2000 through 2008; and
- 3 • Exhibit No. __ (JJ-3), a summary of PEF's Distribution Capital and O&M
4 Expenses for key distribution enhancements and reliability and storm
5 hardening initiatives.

6 These exhibits are true and correct.

7

8 **Q. Do you sponsor any schedules of the Company's Minimum Filing**
9 **Requirements (MFRs)?**

10 A. Yes. Exhibit No. __ (JJ-1) to my testimony lists the schedules of the
11 Company's MFRs that I sponsor or co-sponsor with respect to the Company's
12 distribution system. These are true and correct, subject to being updated during
13 the course of this proceeding.

14

15 **Q. Please summarize your testimony.**

16 A. PEF successfully maintained the reliability improvements attained through our
17 2002-2004 Commitment to Excellence ("CTE") program. PEF executed seven
18 reliability initiatives and developed the Customer Reliability Excellence
19 Monitor ("CREM") to further drive improvements. As a result, PEF has
20 sustained the improvements achieved through CTE and improved in other
21 reliability metrics that matter most to our customers. We remain committed to
22 providing superior, reliable distribution service to our customers while
23 prudently managing our costs.

1 Managing our costs moving forward, however, is a challenge in this
2 economy. Also, we face additional capital and operation and maintenance
3 (“O&M”) expenses to comply with regulatory mandates such as the Florida
4 Public Service Commission (“PSC” or the “Commission”) storm hardening
5 initiatives. Additionally, we must continue to invest in capital improvements to
6 our distribution system and incur O&M expenses to maintain it to preserve the
7 reliability gains we have achieved and that our customers expect. To
8 accomplish these objectives, the Company needs \$236 million for distribution
9 capital investments and \$145 million for distribution O&M expenses in the
10 2010 test year. These expenditures are reasonable and necessary to continue to
11 reliably distribute power to our customers and comply with Commission
12 reliability initiatives in a cost-effective manner.

13
14 **II. PEF’s Distribution System.**

15 **Q. Please generally describe PEF’s distribution system.**

16 A. PEF’s distribution system reliably delivers power to approximately 1.6 million
17 customers across a service area in west central Florida that is 20,000 square
18 miles and includes the densely populated areas around Orlando, St. Petersburg,
19 and Clearwater. PEF’s distribution system includes approximately 18,000
20 circuit miles of overhead primary voltage distribution conductors,
21 approximately 13,000 miles of underground primary voltage distribution cable,
22 distribution substations, and related poles, transformers, cables, wires, and
23 other material and equipment, such as bucket trucks, to provide reliable
24 service. To ensure that PEF reliably delivers power around-the-clock to its

1 customers, PEF must continually invest in capital additions and replacements
2 and incur the necessary expenses to operate and maintain the distribution
3 system.

4
5 **Q. How does PEF manage its distribution system?**

6 A. PEF manages its distribution system through the following functional areas:
7 distribution asset management; distribution services; distribution resource
8 management and construction; distribution training and safety; and the
9 distribution control center. In each of these functional areas, PEF has
10 developed strategic programs and compliance policies to ensure the reliable
11 delivery of power to PEF's customers at a reasonable cost.

12
13 **Q. What has the Company done to ensure the reliable distribution of power
14 to PEF's customers since 2005?**

15 A. As a result of our 2002-2004 CTE program, PEF significantly improved the
16 reliable distribution of power to its customers. This was an unprecedented
17 improvement in our reliability. In 2005, PEF initiated seven reliability
18 measures to build upon the success of our CTE program. These reliability
19 initiatives included (1) a focused maintenance program on its underground
20 network in several major cities, (2) a program to replace annealed conductor to
21 reduce outages, (3) an infrared scanning and repair program to replace high
22 current density connection points before outages occurred, (4) an underground
23 cable replacement program, (5) a capacitor maintenance program to account for
24 system growth, (6) an infrastructure capacity planning program to meet

1 customer growth, and (7) an increase in vegetation management to reduce
2 vegetation-related outages in both storm and non-storm conditions. PEF
3 invested \$104 million in capital and \$42.8 million in O&M during 2006 and
4 2007 in these seven reliability initiatives.

5 Additionally, in 2006 PEF implemented the Customer Reliability
6 Excellence Monitor. We developed this tracking key performance indicators
7 based on surveys we conducted with customers to better understand what
8 aspects of reliability are most important to our customers. As a result, we have
9 been able to better link customer satisfaction to improved reliability based on
10 certain recognized reliability metrics. CREM was developed to identify capital
11 and O&M projects that drive balanced improvement to the reliability metrics
12 that mattered most to customers. To ensure our focus on these improvements,
13 the CREM metric was established as one of the ten employee incentive goals in
14 2006 and remains one today. Status reports on the CREM metric for both field
15 and engineering groups are published weekly so that distribution reliability
16 performance can be tracked in relative real time. Implementation of CREM
17 establishes PEF as an electric utility industry leader in customer oriented
18 reliability.

19
20 **Q. What are the reliability metrics the Company uses to determine that it is**
21 **providing reliable distribution service to its customers?**

22 **A.** The Company uses electric utility industry standards to measure the reliability
23 of its distribution system. These include (1) the System Average Interruption
24 Duration Index ("SAIDI"), which captures the duration of the average

1 customer outage measured by the total number of minutes of interruptions
2 divided by the total number of customers served; (2) the System Average
3 Interruption Frequency Index (“SAIFI”), which measures the frequency
4 (number) of interruptions experienced by a typical customer; and (3) the
5 Customer Average Interruption Duration Index (“CAIDI”), which captures the
6 average length of each interruption for each recorded customer interruption.
7 These reliability indices are routinely used by electric utilities and regulators as
8 indicators of utility performance in the area of distribution reliability. Changes
9 in magnitude and direction of these indices over time allow for the comparison
10 of reliability performance from one period to the next.

11 Additionally, as a direct result of CREM, PEF measures the Customers
12 Experiencing Multiple Interruptions greater than 4 (“CEMI₄”), the Momentary
13 Average Interruption Frequency Index (“MAIFI_e”) and Customers
14 Experiencing Long Interruption Durations greater than 3 hours (“CELID₃”).
15 CREM was created to drive balanced reliability improvements in the reliability
16 metrics that matter most to PEF’s customers. CREM gauges reliability
17 performance by simultaneously measuring and ensuring balance among SAIDI,
18 CEMI₄, MAIFI_e, and CELID₃. These metrics are regularly tracked by the
19 Company to ensure continued focus on the reliable delivery of power to our
20 customers.

21
22 **Q. Based on these reliability metrics, is the Company still providing**
23 **customers with reliable distribution services?**

1 A. Yes. As measured by CREM, PEF has maintained the distribution reliability
2 improvements obtained through its CTE program. The Company exceeded the
3 SAIDI 80 goal for 2004 by 23 percent and has sustained that reliability
4 improvement in each subsequent year, holding SAIDI below 80 minutes in
5 2005, 2006, 2007, and 2008. PEF's reliability metric results from 2000
6 through 2008 are provided in Exhibit No. __ (JJ-2) to my testimony.
7

8 **Q. Has the Company achieved the distribution reliability that its customers**
9 **demand at a reasonable cost?**

10 A. Yes. We take a number of steps to ensure that we aggressively manage our
11 distribution related costs and that we are focused on the right priorities, our
12 budgets are reasonable, and we are spending our money wisely. One step is
13 that we benchmark our distribution costs against the distribution costs incurred
14 by other electric utilities. We use this benchmarking data to set cost targets,
15 allocate budget dollars, and monitor our cost performance. We use the
16 Southern Company Distribution Benchmarking Group, which includes
17 similarly situated electric utilities, as our benchmark. We compare very
18 favorably against this benchmark; we have maintained first or second quartile
19 performance since 2005 in Cost per Install, Cost per Customer, Cost per
20 megawatt-Hour, and Cost per Customer per Line Mile. Since 2005, our Cost
21 per Line Mile also improved from 4th quartile to 3rd quartile. This is a
22 significant improvement because PEF has the fourth largest percentage of
23 underground line miles among the benchmarked companies and the

1 maintenance cost for underground line miles is greater than that for overhead
2 line mile.

3 Another step we take is the continual implementation of distribution
4 construction process improvements where available to manage our costs. One
5 example is the formation of a specific Distribution Asset Management
6 organization within Distribution. This organization includes Systems
7 Engineering, Component Engineering, and Distribution Project Management.
8 Systems Engineering focuses on system expansion planning and reliability
9 performance for load growth improvements and storm hardening projects.
10 Component Engineering focuses on the application, maintenance, and end-of-
11 life replacement of specific distribution assets such as poles, underground
12 cable, and transformers. Distribution Project Management focuses on the
13 efficient completion of large projects generated by the systems and component
14 engineering groups. The Distribution Asset Management organization focuses
15 on key distribution initiatives while continually evaluating risks and making
16 improvements in the processes for handling these initiatives. This enhanced
17 focus ensures that we are delivering safe, reliable, high-quality power to our
18 customers at a reasonable cost.

19 Another example is our emphasis on joint trench construction when more
20 than one utility (such as electric, cable, and telephone) will share the trench.
21 Joint trench construction is more efficient than each utility separately burying
22 their lines or cables and it reduces the risk of damage caused by another utility
23 separately burying their lines or cables at a later time. We are also
24 transitioning to a "direct buried" standard method of cable installation because

1 it is more cost effective over the life of the asset. As a further example of our
2 continual construction process improvement, we are currently undertaking a
3 Future State Construction Process Study in conjunction with the
4 implementation of a new Work Management System to reduce construction
5 costs.

6 Another step we have taken to manage our costs is the implementation of
7 performance guarantees for residential subdivisions. This requires a deposit for
8 the full cost of any facility installation beyond the initial area where homes are
9 under construction. This deposit is returned if and when homes are built within
10 five years beyond the initial area of home construction. This requirement
11 encourages developers to phase in any large subdivisions to avoid the initial
12 deposit requirement and helps us to manage our construction budgets by
13 incurring new facility construction only when it is needed.

14 Finally, we established an Investment Portfolio prioritization tool to best
15 manage the balance between cost and reliability performance. The
16 Investment Portfolio model ties resource allocation directly to reliability metric
17 impacts and optimizes spending on distribution programs and initiatives.

18
19 **Q. What management oversight exists to ensure that PEF is efficiently**
20 **managing its distribution system costs?**

21 **A.** First, our Distribution Project Management group provides in-the-field
22 guidance on our Distribution capital and maintenance projects to ensure that
23 they are completed on time, on budget, and in the most efficient way possible
24 under the circumstances. Next, our Business Operations group monitors our

1 spending each month for reasonableness and compliance with our budget. Our
2 Business Operations group also facilitates our operational analysis, the
3 development of ideas to improve efficiency where possible, and the revision of
4 spending projections when needed. In addition, our budget and cost and
5 reliability performance metrics are woven into incentive compensation goals
6 for our employees at all levels of the Distribution organization. This ensures
7 that our employees are focused on achieving the reliability and other
8 performance goals of our Distribution program and initiative spending at a
9 reasonable cost to our customers.

10 Also, before we initiate a Distribution program or capital or maintenance
11 initiative, the program or initiative is reviewed by the Distribution Finance
12 Committee. The Finance Committee is comprised of management from a
13 range of functional areas within PEF. It provides PEF's Distribution
14 management with a "cross-check" on distribution programs, plans, and
15 budgets.

16
17 **Q. Does the Company plan to continue to provide customers with reliable**
18 **electric service at a reasonable cost?**

19 A. Yes, we currently plan to maintain our top quartile reliability performance in
20 the industry and meet our regulatory obligations while effectively managing
21 our costs. This requires, however, additional capital and O&M investment in
22 our Distribution system. One reason is that our distribution system is larger
23 today than it was in 2005. We serve more customers and we have more
24 distribution assets on our system to maintain than we had in 2005. More

1 customers on the system also means there are times, even under current
2 economic conditions, when additional capacity demands placed on the system
3 create localized capacity constraints that jeopardize efficient and reliable
4 delivery of power. Relieving localized delivery system constraints improves
5 efficiency, which reduces losses and fuel costs. Therefore, PEF must continue
6 to invest in capacity expansion of the distribution system.

7 PEF's distribution system is also four years older since its last base rate
8 proceeding. As the infrastructure ages, it needs to be maintained or replaced.
9 Finally, the Commission's storm hardening policies and initiatives require us to
10 alter our distribution engineering, construction, and maintenance practices and
11 processes, at additional cost, and further require additional distribution capital
12 and O&M expenditures by the Company.

13
14 **III. Distribution System Revenue Requirements.**

15 **Q. What are the Company's distribution capital and O&M revenue**
16 **requirements?**

17 A. PEF requires Distribution capital expenditures of \$236 million and Distribution
18 O&M expenditures of \$145 million. Please see Exhibit No. ___ (JJ-3) to my
19 testimony, which highlights key initiatives of the 2010 Distribution capital and
20 O&M expenses.

21
22 **Q. Why does the Company need the distribution capital and O&M revenue**
23 **requirements it requests in this proceeding?**

1 A. The Company's overarching goal is to meet the needs and expectations of our
2 customers for the distribution of reliable power at a reasonable cost. To do
3 this, we must sustain a distribution system with adequate capacity reserves to
4 meet the demands placed on it by a larger number of customers, we must
5 minimize the number and duration of outages to this larger number of
6 customers, and we must methodically harden the system against storm damage
7 to comply with Commission regulatory reliability requirements. Thus, the
8 Company has three strategic priorities for the distribution system over the next
9 several years.

10 First, PEF plans to maintain its recent reliability performance
11 improvements. PEF's outstanding reliability performance, as measured by the
12 various electric utility industry reliability metrics, cannot be sustained without
13 further capital and maintenance improvements to the distribution system.

14 Second, PEF plans to prudently invest in delivery system capacity
15 enhancement and equipment end-of-life replacement projects to continue to
16 ensure the efficient delivery of reliable power to customers. PEF's distribution
17 system is larger, its assets are getting older, and it is serving more customers.
18 PEF needs to and will implement well designed and executed system
19 maintenance and equipment replacement programs and it will make power
20 factor improvements to increase system efficiency.

21 Third, PEF plans to enhance and maintain its distribution system assets to
22 harden the system against storm damage to comply with the Commission's
23 storm hardening orders and rule.
24

1 **Q. What are the Commission's storm hardening initiatives?**

2 A. Following the 2004 and 2005 hurricanes, and the resulting extensive storm
3 restoration costs to electric utility customers in Florida, the Commission took
4 steps to explore ways to minimize future storm damage and customer outages.
5 The Florida Legislature was equally concerned about the vulnerability of the
6 state's electric system to the effects of hurricanes and required the Commission
7 to review measures to potentially enhance the reliability of the electrical system
8 during extreme weather. The Commission initiated workshops toward these
9 goals and the Florida electric utilities, including PEF, participated in those
10 workshops. Subsequent to the workshops, the Commission took a series of
11 actions that established the storm preparedness initiatives that PEF must now
12 satisfy.

13 In February 2006, the Commission issued Order No. PSC-06-0144-PAA-
14 EI, requiring all Florida investor-owned utilities ("IOUs") to implement an
15 eight-year wood pole inspection cycle. Consequently, PEF files a Wood Pole
16 Inspection Plan every three years with an inspection report submitted
17 annually. The annual reports contain (1) the methods PEF used to determine
18 National Electric Safety Code ("NESC") compliance, (2) an explanation of the
19 inspected poles selection criteria, including geographic location and the
20 rationale for including each selection criterion, (3) summary data and results of
21 PEF's previous wood pole inspections addressing the strength, structural
22 integrity, and loading requirements, and (4) the cause for the poles failing
23 inspection and actions taken by PEF to correct each pole failure.

1 In April 2006, the Commission issued Order No. PSC-06-0351-PAA-EI,
2 requiring all IOUs to file plans and estimated implementation costs for ten
3 ongoing storm preparedness initiatives identified by the Commission. PEF
4 consequently filed its Storm Preparedness Plan on June 1, 2006, which
5 implemented processes meeting the requirements of the ten initiatives
6 identified in the Order.

7 In February 2007, the Commission issued Rule 25-6.0342, F.A.C., which
8 established various requirements for storm hardening for the Florida electric
9 transmission and distribution systems. The Rule requires, at a minimum, that
10 each IOU's Plan address the following:

- 11 (a) Compliance with the NESC;
- 12 (b) Extreme wind loading ("EWL") standards for: (i) new
13 construction, (ii) major planned work, including expansion,
14 rebuild, or relocation of existing facilities, and (iii) critical
15 infrastructure facilities and along major thoroughfares;
- 16 (c) Mitigation of damage due to flooding and storm surges;
- 17 (d) Placement of facilities to facilitate safe and efficient access for
18 installation and maintenance;
- 19 (e) A deployment strategy including: (i) the facilities affected, (ii)
20 technical design specifications, construction standards, and
21 construction methodologies (iii) the communities and areas where
22 the electric infrastructure improvements are to be made, (iv) the
23 impact on joint use facilities on which third-party attachments
24 exist, (v) an estimate of the costs and benefits to the utility

1 of making the electric infrastructure improvements, and (vi) an
2 estimate of the costs and benefits to third-party attachers affected
3 by the electric infrastructure improvements; and

4 (f) the inclusion of Attachment Standards and Procedures for Third-
5 Party Attachers.

6 On May 7, 2007, PEF filed its 2007 Electric Infrastructure Storm
7 Hardening Plan (Docket No. 070298-EI). This Plan is a consolidated response
8 to the requirements of the Commission's storm hardening Orders and Rule 25-
9 6.0342, F.A.C. As a result, PEF is meeting all storm hardening requirements
10 for its distribution system.

11
12 **Q. Have the Commission's storm hardening initiatives impacted PEF's**
13 **management of its Distribution system?**

14 A. Yes. The Commission's storm hardening initiatives developed in the
15 Commission's storm hardening orders and rule have impacted the Company's
16 management of its Distribution system at additional cost to the Company. To
17 begin with, compliance with the Commission's storm hardening initiatives
18 requires additional management and administration, including storm hardening
19 research, the collection, measurement, and analysis of data, and reporting the
20 results of that analysis to the Commission in the Company's Plan and required
21 reports.

22 In addition, the Commission's storm hardening initiatives changed the
23 way PEF manages its distribution system. To comply with the Commission's
24 storm hardening initiatives, PEF developed a systematic approach to storm

1 hardening that involved engaging an industry expert and, with that expert's
2 assistance, developing a comprehensive prioritization model to identify
3 potential storm hardening projects, procedures, and strategies. This Investment
4 Portfolio strategy identifies and prioritizes pilot projects based on a number of
5 criteria that are explained in detail in the Company's Storm Hardening Plan.
6 All of these Distribution management models, procedures, and strategies
7 require additional O&M expense by the Company to ensure that it is meeting
8 the Commission's storm hardening requirements and objectives.

9
10 **Q. Are there any specific storm hardening initiatives that require additional**
11 **distribution capital and O&M expenditures?**

12 A. Yes. In particular, the storm hardening initiatives require aggressive wood pole
13 inspections and vegetation management beyond established electric utility
14 practice and what is necessary to maintain PEF's top quartile reliability
15 performance. For example, prior to Order No. PSC-06-0144-PAA-EI, there
16 was no mandatory wood pole inspection cycle. With the Commission-
17 required, eight-year inspection cycle, since 2006, PEF has completed
18 inspections on almost 257,000 wood poles, or 34 percent of its total wood pole
19 inventory. Of the 34 percent inspected, PEF replaced over 4,000 priority poles
20 or 1.6% of the total inspected poles. PEF spent \$8.9 million on wood pole
21 inspection and treatment and \$11.5 million on wood pole replacement from
22 2006 through 2008. Based on this experience, PEF expects to spend \$3.2
23 million in 2010 to comply with the Commission's required eight-year
24 inspection cycle. Additionally, PEF will spend \$8.6 million in capital

1 expenditures replacing wood poles based on its experience with the mandatory
2 wood pole inspection program. These O&M and capital expenditures are
3 incremental to PEF's Distribution capital and O&M expenses and mandated by
4 the Commission.

5 Similarly, in that same time period, PEF trimmed over 11,000 miles of
6 overhead conductor or 62 percent of its total line miles. Of the 62 percent
7 trimmed, over 5,000 danger trees have been removed. This work was
8 performed in accordance with the Company's Integrated Vegetation
9 Management ("IVM") approach approved by the Commission in Order No.
10 PSC-06-0947-PAA-EI. The Company's IVM is a modification of the
11 Commission three-year vegetation management cycle proposed as one of the
12 Commission's storm hardening initiatives. Based on its current experience
13 with this vegetation management cycle, PEF will incur \$34.4 million in
14 vegetation management expenses in 2010 under the IVM, to ensure compliance
15 with this storm hardening initiative.

16 Additionally, the Company will spend \$4.9 million on Storm Hardening
17 Pilot projects in 2010. These projects test and evaluate different storm
18 hardening strategies to target optimum storm hardening applications for PEF's
19 distribution system in compliance with the Commission's storm hardening
20 initiatives and policy goals.

21 The impact of the mandated storm hardening initiatives, such as the pole
22 inspection and vegetation management cycles, storm hardening pilot projects,
23 storm hardening administration, and management of reliability assessments,

1 accounts for over 29 percent of the PEF distribution O&M expenses and over
2 14 percent of the PEF capital expenses.

3
4 **Q. How does the Company plan to achieve its other strategic priorities?**

5 A. PEF plans to maintain its recent reliability performance improvements through
6 the continued use of the CREM metric supported by employee incentive goals.
7 Tying employee incentives to reliability performance is the foundation to our
8 year-over-year improvement in the vast majority of the reliability metrics that
9 we benchmark against and monitor. Distribution expenses tied to maintaining
10 or improving our distribution reliability include the component integrity
11 replacement (CIR) project and the network maintenance project, among others,
12 identified in Exhibit No. ____ (JJ-3) to my testimony.

13 PEF's delivery system capacity expansion and equipment end-of-life
14 replacement projects are also identified in Exhibit No. ____ (JJ-3) to my
15 testimony. These include over \$24 million in capital expenditures for system
16 capacity through new and expanded transmission to distribution stepdown
17 substations. PEF will also require \$7.74 million for new distribution feeders.
18 Other substantial capital expenditures include \$12.76 million for the
19 replacement of underground cable that has reached the end of service life.
20 Additional distribution capital and O&M expenses for other capacity
21 enhancement and end-of-life replacements are identified in my Exhibit No.
22 ____ (JJ-3).

23 The Company will achieve these strategic priorities by employing
24 superior prioritization, planning, and project management. PEF will utilize an

1 annual work plan, annual resource plan, and weekly schedule to ensure that
2 these projects stay on schedule.

3
4 **Q. Have recent economic conditions impacted the Company's distribution
5 capital and O&M expenses?**

6 A. Yes. We are mindful of the recessionary conditions that occurred in Florida
7 and the rest of the nation and we have taken steps to manage our costs. For
8 example, we reduced the number of both overhead and underground
9 contractors. We have also reorganized, stream-lined decision-making, and re-
10 calibrated staffing levels with the construction activity in the current economy.
11 This initiative focuses our entire organization on service delivery and
12 restoration. Our distribution department is focused on strategic planning,
13 system performance, and compliance with established standards. Our
14 operation centers are focused on outage response, operations, and construction
15 for improved customer and community relations. The resulting operational
16 cost efficiencies yield O&M savings of approximately \$6.3 million and
17 represent a favorable variance to the Commission's O&M benchmark.

18
19 **Q. Are the Company's distribution O&M revenue requirements within the
20 FPSC O&M benchmark costs?**

21 A. The Company's O&M expenses vary from the Commission benchmark by
22 approximately \$14.3 million. The primary reason for this variance is the O&M
23 expenses for the aggressive vegetation management program that the Company
24 has undertaken to comply with the Commission's storm hardening initiatives

1 and that the Commission has approved. This variance is about \$13.9 million.
2 This is offset by the cost savings from the operational efficiencies and re-
3 organization that I previously mentioned. There is also a smaller unfavorable
4 variance of approximately \$2.6 million that arises from the transition of the
5 Transformer Remediation Inspection Program costs previously included in the
6 environmental cost recovery clause to base rates. In addition, FERC reclasses
7 from Transmission to Distribution occurred causing an unfavorable variance of
8 \$4.1 million. As a result, these cost variances are not real variances from the
9 benchmark established based on prior base rates because they were not
10 previously included in Distribution's base rates.

11
12 **Q. Are the Company's distribution system capital and O&M revenue**
13 **requirements reasonable and necessary?**

14 **A.** Yes. PEF has maintained the reliability improvements achieved through CTE
15 and made improvements in other reliability metrics important to our customers.
16 PEF must continue to maintain its capital and O&M investments to reliably
17 deliver power to our customers because that is what they expect. Additionally,
18 we must enhance our distribution system to efficiently deliver power to our
19 customers. We are serving more customers now than in our last base rate
20 proceeding with an older distribution system. A larger, aging distribution
21 system requires additional expense to maintain it. We must continue the
22 capital investments and O&M expenses necessary to replace assets as they
23 reach the end of their useful life, maintain existing distribution assets, and
24 reliably serve our customers.

1 Our capital and O&M expenditures are also necessary to harden our
2 distribution system. The Commission has directed us to conduct more pole
3 inspections, replace more wood poles, and more aggressively manage
4 vegetation, among other initiatives, all to achieve the Commission's storm
5 hardening policies and requirements. We must have adequate capital and
6 O&M funds to comply with these Commission-approved storm hardening
7 initiatives.

8 We have further demonstrated by industry benchmarking that we have
9 reasonably managed our distribution capital investments and O&M expenses,
10 achieving first or second quartile cost per customer, cost per megawatt-hour,
11 and cost per customer per line mile performance.

12 Our future distribution capital and O&M expenses are, therefore,
13 reasonable and needed to maintain the reliability improvements we have
14 achieved, maintain the high level of service our customers enjoy, comply with
15 regulatory initiatives, and continue to be an industry leader in cost efficient
16 energy delivery.

17
18 **Q. Does this conclude your direct testimony?**


19 **A. Yes it does.**
20

MINIMUM FILING REQUIREMENT SCHEDULES
Sponsored, All or in Part, by Jackie Joyner

B-7	Plant Balances by Account and Sub-Account
B-8	Monthly Balances Test Year – 13 Months
B-9	Depreciation Reserve Balances by Account and Sub-Account
B-10	Monthly Reserve Balances Test Year – 13 Months
B-13	Construction Work in Progress
B-24	Leasing Arrangements
C-6	Budgeted Versus Actual Operating Income and Expenses
C-8	Detail of Changes in Expenses
C-9	Five Year Analysis – Change in Cost
C-15	Industry Association Dues
C-33	Performance Indices
C-34	Statistical Information
C-35	Payroll & Fringe Benefit Increases Compared to CPI
C-36	Non-Fuel Operation and Maintenance Expense Compared to CPI
C-37	O&M Benchmark Comparison by Function
C-38	O&M Adjustments by Function
C-39	Benchmark Year Recoverable O&M Expenses by Function
C-41	O&M Benchmark Comparison by Function

Progress Energy Florida
Docket No. 090079-EI
EXHIBIT NO. ___ (JJ-2)
Page 1 of 1

PEF Distribution Reliability Numbers 2000 through 2008

 Progress Energy									
	Customers Served	Customers Affected	CMI	SAIDI	CAIDI	SAIFI	Maifl	CEMI	CELID
2000	1,395,454	1,861,239	140,367,859	100.6	75.4	1.33	16.5	NA	NA
2001	1,434,824	1,870,787	128,457,951	89.7	68.7	1.30	15.7	NA	9.38%
2002	1,477,124	1,854,195	130,015,249	88.0	70.1	1.26	16.2	3.17%	8.43%
2003	1,508,637	1,909,982	129,394,239	85.8	67.7	1.27	17.0	3.40%	7.73%
2004	1,541,402	1,833,205	118,613,077	77.0	64.7	1.19	13.1	2.91%	6.95%
2005	1,569,771	1,752,683	117,469,187	74.6	66.7	1.12	12.8	1.97%	6.85%
2006	1,615,514	1,766,233	121,023,185	74.9	68.5	1.09	10.8	1.48%	6.63%
2007	1,627,874	1,835,605	127,511,308	78.3	69.5	1.13	11.3	1.95%	7.40%
2008	1,620,199	1,708,206	123,476,367	75.7	72.3	1.05	11.1	1.85%	7.05%

Anticipated Initiative Expenses (\$Millions)		Operations & Maintenance (O&M)	Capital
Initiative	Description	2010	2010
Key Components			
Capacitor Inspection & Maintenance	Maintains existing capacitor fleet to ensure adequate power factor for improved efficiency	\$0.80	\$1.42
New Capacitors	Support system growth and allow for the efficient operation of the power grid	-	\$1.24
Padmount Transformers & Inspections & Maintenance	Routine inspection, maintenance and replacement of existing pad mounted transformers	\$1.54	\$5.63
Padmount Transformers ECRC Cleanup	Necessary environmental clean-ups as a result of padmounted transformer inspection & maintenance program	\$2.79	-
Wood Pole Inspections & Treatments	8-year inspection cycle of wood poles	\$3.20	-
Wood Poles Reinforcement	Extends the life of a wood pole by 8-10 years	-	\$0.40
Wood Poles Replacement	Replacement of wood poles failing inspection	-	\$8.60
FCI	Provide maintenance to devices that aid in troubleshooting Outages, thus decreasing CMI	\$0.10	-
600A Switches	Maintenance to switches used during summer and winter peaks to transfer load during critical times	-	\$0.10
ATS (Overhead & Underground)	Maintenance of existing automated transfer equipment serving hospitals, medical services and manufacturing centers	-	\$0.10
Electronic Recloser Inspection / Replacement	Maintenance of existing electronic recloser fleet located along feeder backbone	\$0.10	\$0.88
Lateral Recloser Inspection/Replacement	Maintenance of existing reclosers along feeder laterals in accordance with industry standards	-	\$0.96
Voltage Regulators/Replacements	Ensure continued minimum voltage requirements on feeders	-	\$0.19
Stub Pole Removal	Removal of old, deteriorated poles after all attachments have been either transferred or removed	-	\$0.30
Underground Cable Replacement	Replace underground cable that has reached end of service life	-	\$12.76
Distribution Automation	Maintenance of existing automation equipment necessary to automatically isolate faults in high profile areas	-	\$0.30
Key Components Sub Total		\$8.53	\$32.88

Anticipated Initiative Expenses (\$Millions)		Operations & Maintenance (O&M)	Capital
Initiative	Description	2010	2010
Key Functions			
DOT	Line relocations in conflict with road widening jobs		\$11.43
New Substations	Expand system capacity for distribution feeders via new Transmission to Distribution stepdown substations	-	\$8.38
Substation Capacity Increases	Expand system capacity for distribution feeders via expansions to existing Transmission to Distribution stepdown substations	\$0.30	\$15.42
Substation sites	Acquire land for future substation sites	-	\$2.10
Feeder Standardization	Standardizes feeder configuration to improve reliability	\$0.70	\$4.07
New Feeders	Distribution feeders deliver power from the Transmission-to-Distribution substation to the transformers serving the customers	-	\$7.74
Component Integrity Replacement (CIR)	Targeted maintenance to prevent repeated outage events or improve system configuration	\$5.80	\$5.91
Targeted Reliability Program	Address the reliability outliers that fall outside the scope of the normal capacity planning or base program criteria	-	\$0.52
Infrared Scanning & Repairs	Identify connection points with high current density and repair or replace before an outage occurs		\$0.28
Network Maintenance	Proactive maintenance program to address aging Saint Petersburg and Clearwater systems	\$0.80	\$2.65
Small Wire Reconductor	Replacement of annealed overhead conductor that has reduced tensile strength to reduce outage frequency	-	\$4.29
Storm Hardening Pilot Projects	Tests and evaluates different hardening alternatives	-	\$4.90
Vegetation Management	Prevent an increase in tree-related outages	\$34.40	
Key Functions Sub Total		\$42.00	\$67.69
Annual Grand Total		\$51	\$101