

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 090079-EI

Submitted for filing: August 31, 2009

REBUTTAL TESTIMONY

OF

DALE OLIVER

On behalf of Progress Energy Florida

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

**Petition for Increase in Rates by
Progress Energy Florida, Inc.**

**REBUTTAL TESTIMONY OF
DALE OLIVER**

August 31, 2009

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

2 A. My name is Dale Oliver. My business address is 299 First Avenue North,
3 St. Petersburg, Florida 33701.

4

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

6 A. I am employed by Progress Energy Florida, Inc. ("PEF", or "the Company")
7 as Vice President of Transmission Operations and Planning.

8

9 **Q. Have your duties and responsibilities remained the same since your**
10 **testimony was last filed in this docket?**

11 A. Yes.

12

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

14 A. The purpose of my rebuttal testimony is to address certain assertions and
15 conclusions made by OPC witness Helmuth Schultz and FIPUG witness

1 Martin Marz in their direct testimony filed on August 10, 2009 in Docket No.
2 090079-EI.

3
4 **Q. Are you sponsoring any exhibits to your rebuttal testimony?**

5 A. No, I am not.

6
7 **Q. Would you please summarize your testimony?**

8 A. In summary, several alleged concerns raised in the Schultz and Marz
9 testimonies are based on an incorrect assessment of certain data and
10 information supplied in my original testimony or as part of answers to
11 Interrogatories and Production of Documents. My testimony individually
12 addresses each alleged issue raised by Mr. Schultz and Mr. Marz and
13 shows that the concerns that they raise are unfounded.

14
15 **Q. Have you reviewed Mr. Schultz's concerns with PEF's goals on pages
16 27-28 of Mr. Schultz's testimony?**

17 A. Yes, I have.

18
19 **Q. Do you agree with Mr. Schultz's assessment of PEF's SAIDI goals of
20 the past few years?**

21 A. No, I do not.

22
23 **Q. Please explain why you disagree.**

1 A. First, the SAIDI data of which Mr. Schultz expressed concern was not
2 obtained from my original testimony or any of my sponsored exhibits. In
3 addition, all of the SAIDI data Mr. Schultz referred to is "grid SAIDI" or
4 "customer SAIDI", while the SAIDI data I referred to in my original testimony
5 was "circuit SAIDI." Thus, Mr. Shultz is making "apples-to-oranges"
6 comparisons with data I did not provide or sponsor.

7 That said, I am familiar with the data Mr. Schultz quoted and will
8 address several issues regarding that data. First, the 2006 SAIDI goal that
9 Mr. Schultz quotes was based on calculations made using the events and
10 customer bases of both electric utilities owned by Progress Energy - PEF
11 and Progress Energy Carolinas ("PEC"). For 2007, we separated the
12 SAIDI goals for PEF and PEC to better identify individual system
13 differences and address them. Mr. Schultz thus quotes PEF's individual
14 grid SAIDI goal for 2007 (9.48), while for 2006 he references the grid SAIDI
15 goal for the two companies combined (9.3). This approach is incorrect and
16 results in an invalid comparison. As for Mr. Schultz's assertion that "the
17 SAIDI goal was listed twice at different levels", this assertion demonstrates
18 Mr. Schultz's lack of understanding of the data he is using. Specifically, his
19 misunderstanding stems from the fact that in 2006 and 2007 there were two
20 distinct SAIDI goals: the first was calculated in similar fashion to SAIDI
21 goals of past years, and the second (signified by shading at the bottom of
22 the chart Mr. Schultz references) was considered a "stretch" goal, (i.e. a
23 goal which would require significantly greater effort to achieve). The SAIDI
24 stretch goal was eliminated in 2008 in order to make the goals more

1 concise and straightforward in managing the process. I would also note the
2 Mr. Schultz selectively ignores and does not dispute the excellent reliability
3 results I outlined in my direct testimony. These establish that our
4 Transmission service has been excellent and continually improved for the
5 last decade.

6 Mr. Schultz's testimony also leads me to believe that he does not
7 understand the methodology behind setting the PEF grid SAIDI goal for a
8 given year. PEF considers several factors as part of this process, such as
9 historical performance of the transmission system (i.e. SAIDI actuals from
10 recent years); possible aberrations in weather trending; increased size of
11 the transmission system (which directly affects the number of outages); and
12 number of customers. It is also important to note that the SAIDI goal,
13 along with all other incentive goals, is audited annually by PEF's internal
14 auditing department to ensure that our goals are set at sufficiently
15 aggressive and challenging levels. Finally, I would point out that Mr.
16 Schultz's alleged concerns about PEF's grid SAIDI goals are rendered
17 irrelevant by PEF's circuit SAIDI actuals that I stated in my original
18 testimony on pages 6-7, which show that PEF's circuit SAIDI for 2003-2007
19 decreased by 23.4%. This downward trend clearly demonstrates that PEF
20 has been setting challenging SAIDI goals and consequently reaping
21 positive results. Circuit SAIDI includes all load-related outages and all non-
22 related outages and is therefore a comprehensive view of the transmission
23 system performance.

1 **Q. Do you agree with Mr. Schultz's comment that Transmission's 2010**
2 **O&M increase is a concern, and with his and Mr. Marz's**
3 **recommendations that the Commission should reduce PEF's**
4 **requested O&M expenses for account 571 – Transmission Overhead**
5 **Lines Maintenance?**

6 A. No, I do not agree.

7
8 **Q. Please explain why you disagree.**

9 A. In his testimony, Mr. Shultz references PEF Transmission's \$10.3 million
10 increase in O&M expenses for 2010. Of the \$10.3 million, approximately
11 \$6.9 million relates to the FERC Order 890's requirement to provide credits
12 to transmission customers under the OATT for customer owned integrated
13 transmission facilities. PEF must incur these new costs to comply with
14 FERC Order 890, and these recurring, incremental costs are beyond PEF's
15 control. As stated in the response to OPC Interrogatory No. 240, for this
16 compliance requirement, expenses for customer credits are first budgeted
17 in 2010. This is due to the fact that customers expected to be eligible for
18 credits have contracts for service that were executed prior to the
19 establishment of our OATT and will not be taking service under PEF's
20 OATT until late 2009.

21 The remainder of the 2010 increase relates to O&M expenses for
22 FERC Account No. 571 – Transmission Overhead Lines Maintenance,
23 specifically for Line Bonding and Grounding, an approximately \$1 million
24 increase, and for Vegetation Management, an approximately \$2.75 million

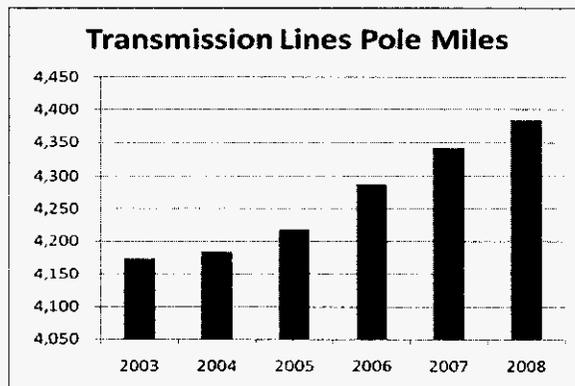
1 increase, offset by approximately \$0.35 million net decrease to other
2 transmission FERC accounts. These cost increases are reasonable on
3 their face as demonstrated by the fact that transmission's O&M expenses
4 are \$0.03 million or 0.0% above the Commission O&M benchmark cost
5 (excluding the aforementioned \$6.9 million to comply with FERC Order
6 890).

7 Furthermore, on an annual basis, PEF incurs expenses to FERC
8 Account No. 571 – Transmission Overhead Lines Maintenance through
9 performing routine maintenance activities, including line bonding and
10 grounding. Transmission Maintenance and Asset Management
11 continuously work to prioritize maintenance initiatives to maximize reliability
12 performance at the least cost. Due to the high volume of lightning strikes in
13 PEF's service territory, increased bonding and grounding on transmission
14 lines is the most effective way to mitigate transmission outages and
15 improve transmission reliability during storm season, which is generally the
16 time of the year when electricity use is at its highest levels for PEF. Under
17 PEF's CTE program, increased bonding and grounding spending resulted
18 in significant improvements to transmission line performance. In 2003 and
19 2004, we noted a 28% and 40% improvement, respectively, in the
20 performance (# of operations) of targeted lines. Subsequent to CTE,
21 bonding and grounding has continued as part of our routine line
22 maintenance program along with pole inspections and repairs. The
23 increase in bonding and grounding funding is necessary to significantly
24 improve line performance on targeted lines as was accomplished under

1 CTE, which is essential in meeting the level of reliability excellence that our
2 customers have come to expect. In addition, the increased funding
3 supports the improved bonding and grounding standard PEF has adopted,
4 which greatly improves the performance and reliability of static connections
5 and is considered an industry best practice. Bonding and grounding of a
6 line is labor intensive as it requires working on one pole at a time for the
7 length of the line, usually over the energized conductors. As a result,
8 bonding and grounding efforts take years to complete and, therefore, the
9 level of funding requested is needed now and for future years.

10 As I mentioned earlier, Vegetation Management expenses are also
11 captured under FERC Account No. 571 – Transmission Overhead Lines
12 Maintenance. Vegetation management within and adjacent to existing
13 transmission corridors is a critical component of Transmission
14 Maintenance, assuring the safe and reliable operation of the transmission
15 system. Vegetation management is a major component of PEF's storm
16 hardening program. Transmission's vegetation management program
17 consists of tree trimming, hand cutting, mowing, danger tree removal,
18 proactive herbicide program and aerial patrols to assess system conditions.
19 The needed increase in vegetation management is largely driven by NERC
20 Standard FAC-003-1. In 2005, the Energy Policy Act was passed in
21 response to the "2003 Blackout" in the northeast. Part of the cause of the
22 "blackout" was attributed to trees growing into transmission lines. In June
23 of 2007, Standard FAC-003-1 was approved by NERC, which stipulates
24 penalties of up to \$1 million per day for violations of the standard on

1 transmission lines greater than 200kV. As a result, in 2007, 2008 and
2 2009, Progress Energy focused its transmission vegetation management
3 efforts on lines greater than 200kV that affect the "bulk electric system" to
4 ensure compliance with the standard and to avoid significant penalties. In
5 prioritizing annual vegetation management O&M spending, funding shifted
6 to NERC line clearing from non-NERC line clearing. As a result of the
7 increased focus on NERC lines, the lower voltage lines were primarily
8 cleared on an "as needed" basis to maintain safe, reliable operation, but
9 were not cleared to the full extent that would normally be performed during
10 cycle clearing. The increase in vegetation management funding is needed
11 for cycle clearing on lines less than 200kV to maintain the reliability of
12 those lines while maintaining compliance with NERC Standard FAC-003-1
13 on those lines greater than 200kV. Due to the cyclical, recurring nature of
14 vegetation management maintenance, the level of funding requested is
15 needed now and for future years. Also driving the increase for future years
16 spending is the fact that Progress Energy has made significant capital
17 investments to Florida's transmission system over the last decade,
18 resulting in added transmission lines and substations requiring O&M,
19 including vegetation management. Please see the chart below noting the
20 annual increase in transmission pole miles.



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In summary, and for all the reasons stated in my direct and rebuttal testimony, the Transmission O&M request for 2010 is justifiable and necessary to maintain reliable service of PEF's Transmission's assets.

Q. Does this conclude your rebuttal testimony?

A. Yes, it does.