

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**In re: Petition to Establish
Discovery Docket Regarding
Actual and Projected Costs for
Levy Nuclear Project, by Progress
Energy Florida, Inc.**

DOCKET NO. 080149-**ET**

Submitted for filing:
May 1, 2008

**DIRECT TESTIMONY OF DALE OLIVER IN SUPPORT OF
ACTUAL/ESTIMATED AND PROJECTED COSTS**

**ON BEHALF OF
PROGRESS ENERGY FLORIDA**

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FPSC-COMMISSION CLERK

**IN RE: PETITION TO ESTABLISH DISCOVERY DOCKET REGARDING
ACTUAL AND PROJECTED COSTS FOR LEVY NUCLEAR PROJECT BY
PROGRESS ENERGY FLORIDA, INC.**

BY PROGRESS ENERGY FLORIDA

FPSC DOCKET NO. 080149

**DIRECT TESTIMONY OF DALE OLIVER IN SUPPORT OF
ACTUAL/ESTIMATED AND PROJECTED COSTS**

I. INTRODUCTION AND QUALIFICATIONS

Q. Please state your name and business address.

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

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

**A. I am employed by Progress Energy Florida, Inc. ("PEF" or the "Company") as its
Vice President, Transmission Operations & Planning. In this role, I have overall
responsibility for the provision of transmission service on PEF's system, the
operation of the Company's transmission system, the planning for the expansion
of the PEF transmission system to meet PEF's retail and wholesale customer
service requirements, and the integration of PEF's transmission system with the
Florida transmission grid.**

Q. Please summarize your educational background and work experience.

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1 A. I received a bachelor's degree in electrical engineering from Georgia Tech in
2 1981 and an MBA from Georgia State University in 2001. Prior to assuming my
3 current role in February, 2007, I was the Regional Vice President for PEF's South
4 Coastal Region from October, 2005 to February, 2007, and from May 2004 to
5 October, 2005 the Company's Regional Vice President for the South Central
6 Region. From 2001 to 2004, I was PEF's Director of Transmission Engineering
7 and the Director of the Company's Commitment to Excellence program. Prior to
8 joining PEF in January 2001, I held a number of supervisory and management
9 positions in the transmission maintenance and operations areas for the Southern
10 Company's Georgia Power subsidiary in Atlanta, Georgia. I am a registered
11 professional engineer in the states of Florida and Georgia.

12
13 **II. PURPOSE AND SUMMARY OF TESTIMONY**

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

15 A. The purpose of my direct testimony is to support the Company's request
16 for cost recovery pursuant to the nuclear cost recovery rule for the
17 transmission portion of the costs incurred, from March 12, 2008 to March
18 31, 2008, for the construction of the Company's proposed Levy Nuclear
19 Power Plants. My testimony will also support the projections for the
20 transmission portion of the costs expected to be incurred for April through
21 December 2008 and all of 2009.

22
23 **Q. Do you have any exhibits to your testimony?**

1 A. No, I am not sponsoring any exhibits. I am, however, sponsoring portions
2 of Schedules AE-8 through AE-8A of the Nuclear Filing Requirements (“NFRs”),
3 which are included as part of the exhibits to Lori Cross’ testimony. Specifically, I
4 am sponsoring those portions, related to transmission, of Schedule AE-8, which is
5 a list of the contracts executed in excess of \$1.0 million in 2007. Accordingly, I
6 sponsor pages 5 and 6 of Schedule AE-8A, which reflects details pertaining to the
7 contracts executed in excess of \$1.0 million.

8 I am also sponsoring those portions of Schedules P-8 and P-8A, included
9 as an exhibit to Ms. Cross’ testimony, which relate to transmission costs.

10 All of the portions of these schedules, which I sponsor, are true and
11 accurate.

12
13 **Q. Please summarize your testimony.**

14 A. The Company incurred preconstruction costs from March 12, 2008 to
15 March 31, 2008 to begin the design and corridor selection for the
16 transmission lines necessary to support Levy Units 1 and 2. PEF needed
17 to enter into these contracts in 2007, and perform this work in 2008, to
18 maintain the licensing and construction schedule to successfully bring
19 Levy Unit 1 into commercial service in 2016. As demonstrated in my
20 testimony and the NFR schedules attached to Ms. Cross’s testimony, PEF
21 took adequate steps to ensure that these preconstruction costs were
22 reasonable and prudent. PEF negotiated favorable contract terms under
23 the then-current market conditions and circumstances.

1 For all the reasons provided in my testimony and in the NFR
2 schedules, the Commission should approve PEF's transmission
3 preconstruction costs incurred from March 12, 2008 to March 31, 2008 as
4 reasonable and prudent pursuant to the nuclear cost recovery rule.

5 In addition, PEF has projected the costs it expects to incur for
6 April through December 2008 and all of 2009. These projections are
7 reasonable and reflect the best-available information the Company has
8 regarding its anticipated project schedule. Accordingly the Commission
9 should approve PEF's projected costs for the transmission preconstruction
10 and construction as reasonable.

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12 **III. TRANSMISSION COSTS INCURRED FROM MARCH 12, 2008 TO**
13 **MARCH 31, 2008 FOR LEVY NUCLEAR PLANT**

14
15 **Q. For what work has PEF incurred transmission costs from March 12,**
16 **2008 through March 31, 2008 for its Levy Nuclear Project?**

17 **A.** PEF incurred preconstruction costs to determine the location of the
18 transmission corridor in support of the Combined Operating License
19 Application ("COLA") and the Site Certification Application ("SCA")
20 from the Department of Environmental Protection and to begin conceptual
21 design of the substation and transmission facilities.
22

1 **Q. Turning first to the costs incurred related to the transmission corridor**
2 **and the development of the COLA and SCA application, please**
3 **describe the contracts that PEF has executed related to these costs**
4 **and the work done under them.**

5 **A.** PEF entered into a contract with Golder Associates, Inc. (“Golder”) to
6 provide assistance with selecting a transmission corridor, public outreach, and
7 obtaining necessary licensing from the Nuclear Regulatory Commission (“NRC”) and
8 the Department of Environmental Protection (“DEP”). This work was reasonable and
9 necessary to the Levy Nuclear project. The Golder contract was a sole source
10 contract. Although a Request for Proposals (“RFP”) was not issued, Golder provided
11 the Company with a proposal for the services PEF requested. PEF decided to sole
12 source this contract because Golder had already completed preliminary assessments
13 for the Levy project. Golder completed these initial analyses when the Company was
14 still deciding whether to move forward with the project. Once the decision was made
15 to proceed with the Levy Nuclear Project, the Company determined that there was not
16 adequate time to issue an RFP and still maintain the project milestones. In addition,
17 if a different vendor than Golder was chosen, that company would have to re-do the
18 initial assessment that Golder had already prepared, which would also have
19 jeopardized the project schedule.

20 Golder has a proven track record with timely and successfully completing PEF
21 projects. Indeed, Progress Energy Service Company, LLC has a master contract with
22 Golder, effective as of January 1, 2003, under which Progress has requested work to
23 be done by Golder from time to time. Further, in this particular contract, PEF

1 negotiated and obtained as favorable contract terms as the market conditions have
2 allowed. The costs incurred pursuant to the Golder contract are thus reasonable and
3 prudent.

4
5 **Q. Has the Company entered into any other contracts related to**
6 **transmission for the Levy Nuclear Project?**

7 **A.** Yes, PEF executed a contract with Power Engineers, Inc. (“Power
8 Engineers”) for conceptual substation engineering designs. Power Engineers was
9 chosen as a sole source vendor because they already had experience with and
10 knowledge of PEF’s service system and transmission needs. The work for the Levy
11 Nuclear Project is being done pursuant to a work authorization issued under a Master
12 Contract between Progress Energy Service Company and Power Engineers. Under
13 this Master Contract, Power Engineers has been doing other transmission projects for
14 PEF. In addition, if a different vendor than Power Engineers was chosen, that
15 company would have to re-do the initial assessment that Power Engineers had already
16 prepared, which would also have jeopardized the project schedule. Given the time
17 constraints and the need to meet project milestones, the Company chose to continue
18 working with Power Engineers for the Levy Nuclear Project. The costs incurred
19 under the Power Engineers contract are thus reasonable and prudent, given the nature
20 and circumstances of the transaction.

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22 **IV. ESTIMATES AND PROJECTIONS FOR COSTS TO BE**
23 **INCURRED FOR THE REMAINDER OF 2008 AND 2009**

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Q. Does the Company plan to incur costs for the Levy Nuclear Project during April through December 2008 and 2009?

A. Yes, PEF must incur transmission costs to maintain the schedule for the expected commercial in-service dates of the units.

Q. What major costs does PEF estimate incurring for the remainder of 2008?

A. As reflected in Schedule AE-6, PEF estimates transmission preconstruction costs of \$13.3 million and transmission construction costs of \$8.4 million. These amounts include costs for early land acquisition, design engineering, and route selection for the transmission corridor.

Q. What major costs does PEF project it will incur during 2009?

A. As reflected in Schedule P-6, PEF projects costs of \$32.7 million for transmission preconstruction and \$140.0 million for transmission construction. These amounts include costs for right of way and land acquisition, as well as purchase of long-lead materials necessary for construction of the transmission corridor and substations.

Q. How were these projected costs prepared?

A. PEF developed these estimates on a reasonable engineering basis, using the best available information. In some instances, PEF is utilizing actual

1 information received from third parties with which it is negotiating, while
2 in other instances, the contracts have already been executed. In addition,
3 PEF developed these projected costs based on the preliminary project
4 schedules which set forth the necessary milestones to maintain the
5 expected in-service date. Accordingly, the estimated and projected
6 transmission costs, as set forth in Exhibits No. __ (LC-1) and (LC-2) to
7 Lori Cross' testimony, should be approved as reasonable.

8
9 **V. RULE 25-6.0423(5)(c)5: LONG-TERM FEASIBILITY OF**
10 **COMPLETING LEVY NUCLEAR PROJECT**

11
12 **Q. Has the Company conducted an analysis to determine the long-term**
13 **feasibility of completing the Levy Nuclear Project?**

14 **A.** On April 8, 2008, PEF prepared a revision to its Business Analysis
15 Package ("BAP"), which revises the March 2006 BAP and provides the approval
16 mechanism and official documentation to continue moving forward with the Levy
17 Nuclear Project. In this BAP, the Company analyzed the project schedule and
18 presented updated information regarding project scope and funding requirements.
19 The BAP contains a recommendation that the Company authorize the updated COLA
20 funding requirements and the purchase of initial long-lead items for the AP-1000.
21 Accordingly, PEF has no reason to believe that completion of the Levy Nuclear
22 Project is not feasible; in fact, PEF is moving forward with the project because PEF
23 believes it is feasible. In subsequent years, PEF will perform other feasibility

1 analyses, consistent with its standard business practice in evaluating whether to
2 continue with a project like the Levy Nuclear Project, at appropriate milestones in this
3 Project.

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5 **Q. Does this conclude your testimony?**

6 **A. Yes, it does.**

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