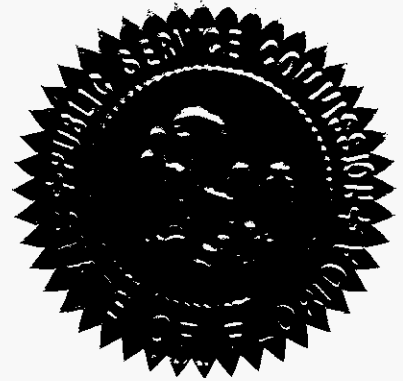


BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

PETITION FOR INCREASE IN DOCKET NO. 090079-EI
RATES BY PROGRESS ENERGY
FLORIDA, INC.

PETITION FOR LIMITED PROCEEDING DOCKET NO. 090144-EI
TO INCLUDE BARTOW REPOWERING
PROJECT IN BASE RATES, BY
PROGRESS ENERGY FLORIDA, INC.

PETITION FOR EXPEDITED APPROVAL DOCKET NO. 090145-EU
OF THE DEFERRAL OF PENSION
EXPENSES, AUTHORIZATION TO
CHARGE STORM HARDENING EXPENSES
TO THE STORM DAMAGE RESERVE, AND
VARIANCE FROM OR WAIVER OF
RULE 25-6.0143(1)(C), (D), AND
(F), F. A. C., BY PROGRESS
ENERGY FLORIDA, INC.



VOLUME 21

Pages 2870 through 2936

ELECTRONIC VERSIONS OF THIS TRANSCRIPT ARE
A CONVENIENCE COPY ONLY AND ARE NOT
THE OFFICIAL TRANSCRIPT OF THE HEARING,
THE .PDF VERSION INCLUDES PREFILED TESTIMONY.

PROCEEDINGS: HEARING

COMMISSIONERS
PARTICIPATING: CHAIRMAN MATTHEW M. CARTER, II
COMMISSIONER LISA POLAK EDGAR
COMMISSIONER KATRINA J. McMURRIAN
COMMISSIONER NANCY ARGENZIANO
COMMISSIONER NATHAN A. SKOP

DATE: Tuesday, September 29, 2009

DOCUMENT NUMBER - DATE

10-177 OCT-28

FPSC-COMMISSION CLERK

1 TIME: Commenced at 9:30 a.m.
2 PLACE: Betty Easley Conference Center
3 Room 148
4 4075 Esplanade Way
5 Tallahassee, Florida
6 REPORTED BY: LINDA BOLES, RPR, CRR
7 Official FPSC Reporter
8 (850) 413-6734
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

I N D E X

WITNESSES

NAME: PAGE NO.

DALE OLIVER

Direct Examination by Mr. Burnett	2874
Prefiled Rebuttal Testimony Inserted	2876
Cross Examination by Mr. Rehwinkel	2887
Cross Examination by Ms. Bradley	2908
Cross Examination by Mr. Moyle	2910
Cross Examination by Mr. Lavia	2929

CERTIFICATE OF REPORTER 2936

EXHIBITS

	NUMBER:	ID.	ADMTD.
1			
2			
3	301 OPC Interrogatory 132	2889	2934
4	302 Interrogatory 389 and POD 37	2898	2934
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			

P R O C E E D I N G S

1
2 (Transcript follows in sequence from
3 Volume 20.)

4 **CHAIRMAN CARTER:** Good morning. I want to
5 welcome everyone back. Last night we were in the
6 process of cross-examination. We had completed the
7 witness.

8 And now would you call your next witness,
9 Mr. Burnett?

10 **MR. BURNETT:** Yes, sir. We call Dale Oliver.

DALE OLIVER

11
12 was called as a witness on behalf of Progress Energy
13 Florida and, having been duly sworn, testified as
14 follows:

DIRECT EXAMINATION

15
16 **BY MR. BURNETT:**

17 **Q.** Mr. Oliver, you realize you're still under
18 oath; correct?

19 **A.** Yes.

20 **Q.** And you have your prefiled rebuttal testimony
21 with you?

22 **A.** I do.

23 **Q.** Do you have any changes to make to your
24 prefiled testimony?

25 **A.** No, I do not.

1 **Q.** If I asked you the same questions in your
2 prefiled testimony today, would you give the same
3 answers that are in that testimony?

4 **A.** I would.

5 **MR. BURNETT:** Mr. Chair, Mr. Oliver has no
6 exhibits, and we would request that his prefiled
7 rebuttal testimony be entered into the record as if read
8 here today.

9 **CHAIRMAN CARTER:** The prefiled testimony of
10 the witness will be inserted into the record as though
11 read.

12
13
14
15
16
17
18
19
20
21
22
23
24
25

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

PROGRESS ENERGY FLORIDA

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.

24

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**

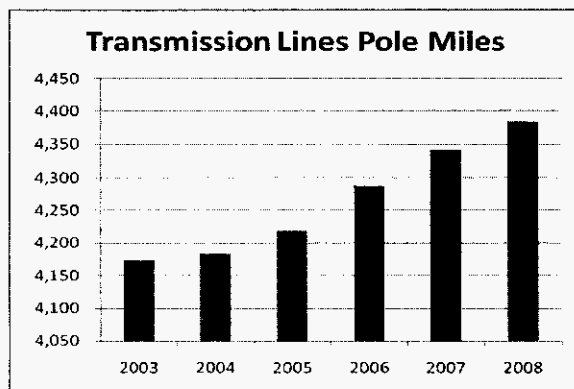
1 increase, offset by approximately \$0.35 million net decrease to other
2 transmission FERC accounts. These cost increases are reasonable on
3 their face as demonstrated by the fact that transmission's O&M expenses
4 are \$0.03 million or 0.0% above the Commission O&M benchmark cost
5 (excluding the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



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

4

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

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

1 **BY MR. BURNETT:**

2 Q. Mr. Oliver, do you have a summary of your
3 rebuttal testimony?

4 A. I do.

5 Q. Please provide your summary.

6 A. Good morning, Commissioners.

7 The purpose of my rebuttal testimony is to
8 address certain assertions and conclusions made by OPC
9 Witness Schultz and FIPUG Witness Marz in their direct
10 testimony filed on August 10th, 2009.

11 In summary, several alleged concerns raised in
12 the Schultz and Marz testimonies are based on an
13 incorrect assessment of certain data and information
14 supplied in my original testimony or as part of answers
15 to interrogatories and production of documents.

16 My testimony individually addresses each
17 alleged issue raised by Mr. Schultz and Mr. Marz and
18 shows that the concerns they raise are unfounded.

19 First, the SAIDI data of which Mr. Schultz
20 expressed concern was not obtained from my original
21 testimony or any of my sponsored exhibits. In addition,
22 all of the SAIDI data that Mr. Schultz referred to is
23 grid SAIDI or customer SAIDI, while the data that I
24 referred to, the SAIDI data that I referred to in my
25 original testimony was circuit SAIDI. Thus, Mr. Schultz

1 is making an apples to oranges comparison with data that
2 I did not provide or sponsor.

3 Mr. Schultz's testimony also leads me to
4 believe that he does not understand the methodology
5 behind setting the PEF grid SAIDI goals for a given
6 year. I would point out that Mr. Schultz's alleged
7 concerns about PEF's grid SAIDI goals are rendered
8 irrelevant by PEF's circuit SAIDI actuals that I stated
9 in my direct testimony, which show that PEF circuit
10 SAIDI for the years 2003 through 2007 decreased by 23.4
11 percent. This downward trend clearly demonstrates that
12 PEF has been setting challenging SAIDI goals and
13 consequently reaping positive results.

14 Lastly, Mr. Schultz and Mr. Marz reference PEF
15 Transmission's \$10.3 million increase in O&M expenses
16 for 2010. Of the 10.3 million, approximately
17 6.9 million relates to the FERC Order 890 requirements
18 to provide credits to transmission customers under the
19 yoke for customer-owned integrated transmission
20 facilities. PEF must incur these new costs to comply
21 with FERC Order 890, and these recurring incremental
22 costs are beyond PEF's control.

23 The remainder of the 2010 increase relates to
24 O&M expenses for FERC order, for FERC Account Number
25 571, Overhead Transmission Line Maintenance,

1 specifically for line bonding and grounding, an
2 approximately \$1 million increase, and for vegetation
3 management, an approximately \$2.75 million increase,
4 offset by approximately .35 million net decrease to
5 other transmission FERC accounts.

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

10 This concludes my summary, and I'm prepared to
11 answer any questions that you may have.

12 **MR. BURNETT:** Sir, we tender, Mr. Oliver.

13 **CHAIRMAN CARTER:** Good morning, Mr. Rehwinkel.

14 **MR. REHWINKEL:** Thank you, Mr. Chairman.

15 **CROSS EXAMINATION**

16 **BY MR. REHWINKEL:**

17 **Q.** Good morning, Mr. Oliver.

18 **A.** Good morning, Mr. Rehwinkel.

19 **Q.** Could I ask you, please, to turn to Page 3 of
20 your rebuttal testimony.

21 **A.** Yes, sir.

22 **Q.** There do you note your concern that
23 Mr. Schultz's discussion regarding SAIDI is an apples to
24 oranges comparison?

25 **A.** Right.

1 Q. Can you -- do you have Mr. Schultz's testimony
2 with you?

3 A. I have two of the pages that -- I think Page
4 27 and 28.

5 Q. Okay. Can I ask you to look on Page 28 and
6 show me where Mr. Schultz references your testimony with
7 respect to his discussion on the SAIDI goal and
8 incentive compensation?

9 A. He does not reference my testimony.

10 Q. Okay. Is the information included in
11 Mr. Schultz's testimony regarding the SAIDI goals and
12 achievements included in the incentive compensation
13 determination for the years identified incorrect?

14 A. Well, I think that the data itself is not
15 incorrect, but there's an incorrect comparison
16 between -- you know, for two of those years, '06 and
17 '07, we had stretch goals in, in the customer SAIDI
18 numbers, which in 2007 -- I'm sorry, in 2008 we did not.

19 So there is an incorrect comparison when he's
20 comparing the numbers that are in the 9.3 and 9.48 range
21 to the number in the 10.2 range. He's comparing the
22 stretch goals to the nonstretch goals.

23 Q. Okay. Well, can you --

24 **MR. REHWINKEL:** Mr. Chairman, I would like to
25 pass out an exhibit for cross-examination purposes.

1 **CHAIRMAN CARTER:** Do you need a number?

2 **MR. REHWINKEL:** Yes, sir. This would be --

3 **CHAIRMAN CARTER:** 301. Number 301.

4 **MR. REHWINKEL:** And this is, this would be OPC
5 Interrogatory 132.

6 **CHAIRMAN CARTER:** Okay. OPC Interrogatory
7 132.

8 (Exhibit 301 marked for identification.)

9 **MR. REHWINKEL:** Thank you, Mr. Chairman.

10 **CHAIRMAN CARTER:** Thank you, Mr. Moyle.
11 You may proceed.

12 **MR. REHWINKEL:** Thank you, Mr. Chairman.

13 **BY MR. REHWINKEL:**

14 **Q.** Mr. Oliver, are you familiar with the
15 documents in this exhibit?

16 **A.** Yes.

17 **Q.** Okay. Could I ask you to turn to the first
18 page, which at the top says "2006 ECIP Goals,
19 Transmission." Do you see that?

20 **A.** I do.

21 **Q.** Under Line 6, isn't it true that the actual
22 result for combined SAIDI was 10.4?

23 **A.** Yes. That's what it says.

24 **Q.** Okay. And the objective there was 10.5?

25 **A.** Correct.

1 **Q.** Okay. Can I ask you to turn to the next page,
2 which is I think the 2007 ECIP Goals for Transmission,
3 Operations and Planning, PEF. Do you see that?

4 **A.** I do.

5 **Q.** What was the goal for grid SAIDI under Item
6 Number 6 there?

7 **A.** The goal as stated here for the 2007 plan is
8 10.7.

9 **Q.** Okay. Is the 10.7 less difficult to
10 achieve -- pardon me. Is the 10.7 less difficult to
11 achieve than the 2006 10.5?

12 **A.** It is, but there's, there's a, a fairly
13 tremendous difference here. If you'll notice in the
14 2006 ECIP goals under Item Number 6, it says combined
15 grid SAIDI. At that point in time the numbers were
16 combined with our Carolina transmission operation, so we
17 had one SAIDI goal that encompassed both the Carolinas
18 and Florida. When you pull -- in 2007, we, to better
19 identify reliability-related issues in both
20 jurisdictions, we pulled that goal apart. So when you
21 pull those numbers apart and go through the goal setting
22 methodology, the goal for Florida actually comes out a
23 little bit higher, to a 10.7 number, which is why Item
24 Number 6 on the 2007 goals is, you know, two-tenths of a
25 point higher than the, the '06 goal.

1 Q. Okay.

2 A. It's, again, kind of an apples to oranges
3 comparison between the two years.

4 Q. How about the actual for 2007? What was that?

5 A. The actual for 2007 was, according to this,
6 was 8.4.

7 Q. Okay. So the goal was achieved by a rather
8 large margin; correct?

9 A. By a large margin.

10 Q. And if I could ask you to turn to the 2008
11 goals on the next page, please.

12 A. Yes, sir.

13 Q. There the goal for 2008 was, on Line 7 was
14 10.2.

15 A. Right.

16 Q. That's the comparable goal?

17 A. That is the, that is the comparable goal.

18 Q. Okay.

19 A. And that is a Florida-only goal.

20 Q. So --

21 A. And you can see that number did come down
22 from, from '07 as more of a challenge because the
23 performance in '07 was better than goal. And then also
24 you can see that we did not make the goal in '08,
25 because the actual was 11.8.

1 Q. Okay. On Page 4 of your rebuttal testimony,
2 do you suggest that Mr. Schultz leads you to believe
3 that he does not understand the methodology behind
4 setting the PEF grid SAIDI goal?

5 A. Well, he does. And, you know, with some of
6 his comments where he was comparing the stretch goals to
7 the non-stretch goals and the combined goals that we had
8 for '06 and then the split goals for '07, it did give
9 me, raised a concern with me that he didn't understand
10 the differences between the two years.

11 Q. Okay. If you achieve SAIDI during the year,
12 would it be totally improper to assume that setting a
13 lower SAIDI that would require increased performance is
14 unreasonable?

15 A. Would you say that again?

16 Q. If it, if you achieve SAIDI during one year --

17 A. Right.

18 Q. -- would it be totally improper to assume that
19 setting a lower SAIDI that would require increased
20 performance is unreasonable for the next, next year's
21 goal?

22 A. No. I think that's, I think that's totally
23 reasonable.

24 Q. Is it your opinion that accomplishing a goal
25 one year does not require setting a higher goal for

1 future performance?

2 **A.** I think, you know, when, when, when a goal is
3 met, that, that certainly we would strive to do better
4 the next year, all things being equal.

5 **Q.** So is it your testimony that performance at
6 PEF is at the optimal level and there's no chance for
7 improvement?

8 **A.** I would say that there's always chance for
9 improvement. And I think what we have to look at is
10 what -- I mean, you reach a point on reliability of
11 diminishing returns at some point as to how much money
12 or how much resources are you willing to expend to, to
13 bring those numbers down. I mean, the numbers that we
14 have today, which are in the 10 percent range, or the
15 ten-minute range, means that on average customers are
16 impacted by transmission for ten minutes for that entire
17 year. With some customers that can be an issue. With
18 some it may not be an issue at all.

19 **Q.** So is your answer that it is at the optimal
20 level?

21 **A.** I would -- you know, I think optimal level is
22 in the eye of the customer, and it's different under
23 different situations. Our goal is to always strive to
24 certainly achieve or, or work those numbers down as low
25 as reasonably possible, but also understanding that we

1 have limited resources to do that.

2 Q. Well, I guess, since you mentioned eye of the
3 beholder, let's look at you as the beholder, and you're
4 the one who has to spend the funds. And I think you
5 indicated, did you not, that that's one of the things
6 that goes into your assessment is how much it's going to
7 cost to get a marginal improvement in performance;
8 correct?

9 A. Uh-huh. Correct.

10 Q. So with you as the beholder, are you saying
11 that SAIDI performance at PEF is at the optimal level?

12 A. I would say that it is a level that based on
13 the spending levels and the resource levels that we
14 apply to it, understanding that there are a lot of
15 unknowns that occur day in and day out, cars hitting
16 poles, lightning, storms and those type things, that we
17 are at a level, all of those things being considered,
18 when you look at the benchmarking throughout the
19 industry, we are very comparable to our peers.

20 Q. I mean, you wouldn't set a goal that you had,
21 that their employees had no control over. I understand
22 those lightning and people hitting poles. Those are
23 kind of in the, in the base. And you're trying to
24 controls things that human beings can --

25 (Simultaneous conversation.)

1 **A.** That's true. That's true to a certain extent.
2 But I go through in my rebuttal testimony, it explains
3 how we set those goals and those factors that we take
4 into account, what is in our control and what is not in
5 our control. So those are all factors.

6 **Q.** But do you consider yourself an expert in
7 human resources, compensation and benefits?

8 **A.** I do not.

9 **Q.** In that case what makes you qualified to
10 testify about the determination of the reasonableness of
11 the incentive compensation goals?

12 **A.** Well, I think I'm -- from a -- I'm not an
13 expert in compensation, but I think I do have a fair
14 amount of knowledge and understanding in how a
15 transmission system operates and how you would apply
16 that to a goal that would drive performance that in,
17 that at the end of the day or at the end of the year can
18 drive incentive programs. But the incentive program
19 itself, I don't claim to be an expert in that.

20 **Q.** So basically what you're telling me is that
21 you have gained expertise in a sense through experience.

22 **A.** I think I have.

23 **MR. REHWINKEL:** Mr. Chairman, I have
24 another -- well, actually I can hold off on this. I'm
25 not quite ready yet.

1 **CHAIRMAN CARTER:** Okay.

2 **BY MR. REHWINKEL:**

3 **Q.** On Page 5, Mr. Oliver, of your testimony,
4 don't you state that you do not agree with Mr. Schultz
5 that the increase in costs in 2010 is a concern?

6 **A.** I'm -- that is what I'm saying. Yes.

7 **Q.** Okay. Can you -- you don't have Page 35 of
8 his testimony, do you?

9 **A.** I do not.

10 **MR. REHWINKEL:** If, if I may, Mr. Chairman,
11 approach the witness --

12 **CHAIRMAN CARTER:** You may, you may approach.

13 **MR. REHWINKEL:** -- and provide it to him.

14 **BY MR. REHWINKEL:**

15 **Q.** Can you look on Page 35 of Mr. Schultz's
16 direct testimony, on Lines 1 through 4, and if you'll
17 review that and tell me when you're ready.

18 **A.** On which lines?

19 **Q.** I'm sorry. 1 through 4.

20 **A.** Oh, okay. Okay.

21 **Q.** Isn't Mr. Schultz's summary contained in his
22 testimony there accurate regarding the costs from 2005
23 through 2008, the budget for 2009 and the amount
24 requested in 2010?

25 **A.** It is.

1 Q. Okay. Can I get you to look at Page 6 of your
2 rebuttal testimony, please, and there on Lines 12
3 through 16.

4 A. Okay.

5 Q. Okay. Is this portion of your rebuttal
6 testimony your justification for the \$1 million of
7 grounding and bonding expenses that are at issue in this
8 case?

9 A. Well, I think, I think that in those lines it
10 does explain why we want to do the bonding and grounding
11 due to the high volume of lightning strikes. But if you
12 go further, I think the reason we want to do it is
13 because it was a highly successful program. As you
14 note -- if we note down in Lines 17 through 19, we had a
15 tremendous increase in performance on those lines after
16 bonding and grounding programs in the early 2000s, in
17 2003, 2004.

18 Q. Okay. So it would be fair to say that you
19 consider this to be important work that must be
20 performed.

21 A. It is important work that is important to the
22 system to maintain the integrity of the system, yes.

23 Q. Okay.

24 **MR. REHWINKEL:** Mr. Chairman, if I could ask
25 for an exhibit to be, for a number for an exhibit.

1 **CHAIRMAN CARTER:** 302. Short title?

2 **MR. REHWINKEL:** Thank you. Short title would
3 be Interrogatory 389 and POD 37.

4 **CHAIRMAN CARTER:** Interrogatory 309 and POD
5 number?

6 **MR. REHWINKEL:** 37.

7 **CHAIRMAN CARTER:** 389?

8 **MR. REHWINKEL:** I'm sorry.

9 **CHAIRMAN CARTER:** I didn't hear you properly.
10 POD number -- okay. Got it. 37. Okay.

11 (Exhibit 302 marked for identification.)

12 You may proceed, Mr. Rehwinkel.

13 **MR. REHWINKEL:** Thank you, Mr. Chairman.

14 **BY MR. REHWINKEL:**

15 **Q.** Mr. Oliver, are you familiar with -- well, let
16 me, let me state for the record I have provided you what
17 I believe are the budget backup for 2009, 2010 and 2008
18 in these two excerpts from a much larger document for
19 your area. Are you familiar with these documents?

20 **A.** I have not seen these documents, these
21 particular documents. No.

22 **Q.** Okay.

23 **A.** I'm aware they exist.

24 **Q.** Okay.

25 **A.** But I've not reviewed these documents.

1 **Q.** Okay. Do you understand them to be a budget,
2 some level of budget support for your area?

3 **A.** That's what they appear to be. Yes.

4 **Q.** Okay. Can I get you to turn to, if you'll
5 look at the bottom right-hand corner, Bates stamp Page
6 37-000054?

7 **A.** 54. Yes, sir.

8 **Q.** Okay. Can I get you to look about, a little
9 past three-quarters of the way down, and, on that, that
10 page?

11 **A.** Uh-huh.

12 **Q.** And do you see an item there that says 60KH7D,
13 Line Bonding and Grounding, under the project heading?

14 **A.** I do.

15 **Q.** And what is the budget amount in that category
16 for 2010?

17 **A.** One million.

18 **Q.** It's four cents shy of a million.

19 **A.** Right. Four cents shy of a million.

20 **Q.** So that's the million dollars.

21 **A.** I'm rounding. Okay.

22 (Laughter.)

23 **Q.** I see you paid attention in math. Learned how
24 to round up.

25 What is the -- is that the, is that the

1 million dollars that we're talking about?

2 **A.** That is, that is the million dollars that
3 we're requesting for 2010.

4 **Q.** Okay. Can you tell me why -- well, actually
5 what is the amount for 2008?

6 **A.** For 2009?

7 **Q.** I'm sorry. For 2009.

8 **A.** Yeah. 2009, is, in this budget line item it
9 is zero.

10 **Q.** Okay. Is that correct?

11 **A.** Well, I would say that in 2009 we did not have
12 a specific budget item for line bonding and grounding.
13 We did in a, in a, in a maintenance, another maintenance
14 expense line, we do have routine line maintenance that
15 we perform bonding and grounding out of, but there was
16 no specific project in '09 for bonding and grounding.

17 **Q.** Okay. If I'm looking in the cost type area
18 here, is it outside labor? Is this something you
19 contract out?

20 **A.** Well, we do contract some of that out, but we
21 also do some internally with our labor.

22 **Q.** Okay. Can I get you to turn to the next
23 section there, which is the 2008 budget backup, and get
24 you to look at 389-000093 on the pages down there on the
25 Bate stamp?

1 **A.** What is the Bate stamp again, the last two
2 numbers?

3 **Q.** I would say 93, which looks to be 90 of 94 of
4 this document.

5 **A.** Okay.

6 **Q.** Is there any similar amount of line bonding
7 and grounding in 2008?

8 **A.** I'm just going to have to find it. Where is
9 it in on the page?

10 **Q.** I don't know that it is. I was just kind of
11 wondering if it would be in the same --

12 **A.** I would have to go through this line by line.

13 **Q.** Okay. And do you --

14 **A.** And I think, you know, looking, you know, this
15 is one of the items that had come up last week in my
16 direct testimony, you know, to come, to come back
17 prepared with some expenses that we had expended on line
18 bonding and grounding. And roughly it's been less than
19 a hundred thousand dollars each year, right around, a
20 little less than a hundred thousand, in the, I would say
21 in the 50 to 60,000 range per year.

22 **Q.** Okay. Would you suspect that for 2008 there
23 would not be an amount, a separate amount in the budget
24 like, in the same fashion that there was not for 2009?

25 **A.** Well, I would have to go through -- to say no

1 I would have to go through this line by line.

2 Q. Okay. But, but you're saying that for 2008
3 and 2009 the dollars were about \$100,000 on average?

4 A. Yeah. A little less than that.

5 Q. Okay. And was that all done internally rather
6 than contracted?

7 A. It was, as far as I know, it was done
8 internally.

9 Q. Okay. For, for a project or a work function
10 that would be considered important to the system
11 integrity, why would there not be funds of the magnitude
12 in the test year in the, the prior years?

13 A. Well, there are. If you go back to 2006,
14 there was. And as mentioned in some of my earlier
15 testimony, in 2002, 2003 and 2004 there were bonding and
16 grounding programs that were highly successful. And
17 with the lightning activity increases that we've seen on
18 the system just in volume over the last several years,
19 we're starting to see a lot more line operations. With,
20 with the high value of response that we saw to those
21 programs earlier, we want to continue those programs, or
22 reestablish those programs, if you will.

23 Q. Okay. So how much was spent in 2006, if you
24 know?

25 A. 2006? Roughly a million dollars.

1 Q. Okay. Okay. Let's move now to vegetation
2 management.

3 A. Uh-huh.

4 Q. Can you look on Page 7 of your testimony?

5 A. Oh, my testimony?

6 Q. Yeah. Your rebuttal testimony.

7 A. I'm there.

8 Q. Isn't it correct there that on Lines 12
9 through 13 you indicate that the vegetation management
10 in the transmission corridor is critical?

11 A. Oh, yes. Yes, I do.

12 Q. On Lines 19 through 23 of the same page, do
13 you contend that the increase is driven by the NERC
14 standard FAC-003?

15 A. Yes.

16 Q. I suspect you don't have Mr. Schultz's
17 Schedule C-6 with you.

18 A. No. I only have those two pages.

19 **MR. REHWINKEL:** Mr. Chairman, if I may
20 approach the witness.

21 **CHAIRMAN CARTER:** You may approach.

22 **BY MR. REHWINKEL:**

23 Q. I'd like to provide that to you.

24 Can you review that schedule for me, please,
25 with respect to the information that you know about, and

1 tell me whether you dispute at all the information
2 included on Lines 1 through 3?

3 **A.** No. This is the same information that we
4 reviewed in the, last week during my direct testimony.
5 It is.

6 **Q.** Okay. How about for 2009; is the information
7 on Line 5 of that schedule correct?

8 **A.** It is.

9 **Q.** How about the information in the paragraph
10 below Line 9 that is referenced to the letter C; is that
11 correct?

12 **A.** What was the question?

13 **Q.** The, the information in the paragraph below
14 nine that is referenced to the letter C.

15 **A.** Oh, to the source below?

16 **Q.** Yes, sir.

17 **A.** I got you now. Okay.

18 **Q.** Okay. Is that --

19 **A.** I've got it. Right. Right.

20 **Q.** Is that information correct?

21 **A.** I assume that it is. Based on my best
22 knowledge, it is, yes.

23 **Q.** Okay. And isn't it true that the NERC
24 standard is new as of 2010?

25 **A.** The NERC standard was new as of 2007.

1 **Q.** Okay.

2 **A.** And, you know, which we went through that
3 discussion in my direct testimony last week in, in
4 pretty good detail. But, you know, as I explained last
5 week, we have, since 2007 we have had a, quite a
6 rigorous exercise in trimming our 200 kV and above lines
7 and maintaining the same vegetation management budget.
8 And what we're seeing is the need to increase that
9 budget to do, to meet all the compliance requirements of
10 FAC-003 as well as adequately trim or continue to trim
11 our below 200 kV assets.

12 **Q.** Okay. While you have that testimony with you,
13 could you turn to Page 36?

14 **A.** In this?

15 **Q.** Yes, sir. In Mr. Schultz's direct testimony.
16 And I would ask you, direct your attention to Lines 13
17 through 15, please.

18 **A.** Okay.

19 **Q.** Is Mr. Schultz correct that the company has
20 not indicated that the historic spending and the 2009
21 budget was insufficient to maintain compliance?

22 **A.** Well, I think the statement there is, is made
23 without full knowledge of how we've been conducting the
24 program. And as I said during my direct testimony last
25 week and I think again here today, is that we have --

1 we've done our best in trying to maintain our current
2 budget levels and, you know, reassigned dollars or
3 reassigned resources within the vegetation management
4 budget without adding any dollars.

5 Q. I guess my question was, is he, is he correct
6 that the company has not indicated that historic
7 spending in the 2009 budget was insufficient to maintain
8 compliance?

9 A. I'd say the statement is correct, but it, it
10 doesn't provide all the information.

11 Q. Okay. Thank you. And if I could get you to
12 turn to Page 8 of your rebuttal testimony, please.

13 A. Okay.

14 Q. And direct your attention to the chart.

15 A. Yes.

16 Q. There starting on Lines 21 forward. If the
17 system needs were increasing because of the growth
18 depicted, explain to me, please, how the company was
19 meeting the need with the decrease in spending from
20 \$6.9 million in 2007 to \$5.9 million in 2008, as shown
21 on Mr. Schultz's Schedule C-6.

22 A. I would need his C-6 again.

23 Q. Oh, I'm sorry. It's a trick question. You're
24 supposed to --

25 A. I'm on total recall. I can round up to a

1 million, but -- and would you restate your question?

2 Q. Sure. I'll ask it again.

3 If the system needs were increasing because of
4 the growth depicted in this chart on Page 8 of your
5 rebuttal, can you explain how the company was meeting
6 the need with the decrease in spending from \$6.9 million
7 in 2007 to \$5.9 million in 2008, as shown on
8 Mr. Schultz's Schedule C-6?

9 A. I would say again, and I've answered the
10 question, you know, already this way, we, we had to
11 reassign, understanding what the budget was and trying
12 to stay within the budget, is we trimmed less on the
13 lower voltage levels and applied the needed dollars to
14 the 200 kV and above to maintain compliance. Because,
15 you know, there's a pretty heavy consequence to not
16 meeting compliance on those 200 kV and above lines, a
17 million dollars a day for a grow-in. And so it did
18 require us to, to reassign some resources. But now
19 we're starting to see on the lower voltage levels some
20 tree issues, and we need to, to reassign some dollars to
21 that, which is why we've asked for the additional in
22 210 -- 2010.

23 Q. Okay. How long have you been in your current
24 duties?

25 A. Since February of 2007.

1 Q. Okay. And prior to that?

2 A. Prior to that I was in the distribution
3 organization.

4 Q. Okay. Have you ever, have you ever deferred
5 vegetation management activities in order to meet, say,
6 a budget goal, maybe a stretch goal, something like
7 that?

8 A. In, in my current role or in previous roles
9 I've not, but I have reassigned and reprioritized
10 vegetation management spending for a higher better need
11 within vegetation management. Yes.

12 MR. REHWINKEL: Okay. Thank you, Mr. Oliver.
13 Mr. Chairman, those are all the questions I
14 have for Mr. Oliver.

15 CHAIRMAN CARTER: Thank you, Mr. Rehwinkel.
16 Do you want to retrieve your document?

17 MR. REHWINKEL: Yes, sir.

18 CHAIRMAN CARTER: Okay. Good morning,
19 Ms. Bradley.

20 MS. BRADLEY: Thank you.

21 CROSS EXAMINATION

22 BY MS. BRADLEY:

23 Q. Mr. Oliver, I just have a couple of questions.

24 A. Yes, ma'am.

25 Q. You were talking to Mr. Rehwinkel about the

1 performance level, and I believe you indicated that cost
2 doesn't always justify the benefit the if the benefit is
3 just marginal or something along those lines; correct?

4 **A.** Well, I think you have to look at really any
5 program and where you're going to assign resources and
6 see what the value of that is. And I think what I was
7 referring to were the system SAIDI or the outage
8 duration index numbers. And, and there is a point where
9 spending is kind of at a diminishing return. And also
10 when you look at the benchmarks throughout the industry,
11 you, you want to, you want your system performance to be
12 in line with those benchmarks to similar companies.

13 **Q.** So with any project you have to look at the
14 cost of it and see if the benefit justifies that cost?

15 **A.** I think so.

16 **MS. BRADLEY:** Nothing further. Thank you.

17 **CHAIRMAN CARTER:** Ms. Bradley, you all right
18 this morning?

19 **MS. BRADLEY:** Hanging in there. A little
20 hoarse.

21 **CHAIRMAN CARTER:** Drink you some hot tea with
22 some honey and lemon. Okay?

23 **MS. BRADLEY:** I did that yesterday. Okay.

24 **CHAIRMAN CARTER:** That's what my grandmama
25 used to do for me. It worked fine.

1 **MS. BRADLEY:** Good.

2 **CHAIRMAN CARTER:** Good morning, Mr. Moyle.

3 **MR. MOYLE:** Good morning, Mr. Chairman.

4 **CROSS EXAMINATION**

5 **BY MR. MOYLE:**

6 **Q.** I wanted to first follow up with you on a
7 conversation we had last week that related to design of
8 your transmission structures. Do you remember that
9 conversation where I was --

10 **A.** Yes.

11 **Q.** -- curious about it? And I was wondering if
12 you'd had a chance to go gather that information.

13 **A.** Well, I think to the question you asked was
14 based on, on wind speed --

15 **Q.** Yes, sir.

16 **A.** -- based on our design. And really it kind of
17 equates to anything that is within 30 miles of the
18 coastline is designed to 130-mile-an-hour wind. If it's
19 inside the 30 miles, it's 120-mile-an-hour wind.

20 I would also say too, as part of that design
21 is we no longer utilize on the transmission system
22 wooden structures. Everything is either spun concrete
23 or steel, which has a, a much better inherent design
24 characteristic when it comes to wind.

25 **Q.** So as we sit here today, are you saying that

1 you don't have any wooden structures on the system now
2 or you're phasing them out?

3 **A.** Well, we're phasing them out. And that was,
4 you asked a question about that also that I'm prepared
5 to answer, if you want to know the approximate number of
6 wood to other structures on the system.

7 **Q.** Yes, sir. What is that?

8 **A.** We currently have -- the total number of poles
9 on the system is a little over 45,000. Around 31,000,
10 just a little over 31,000 are still wood, which is
11 approximately 69 percent of the system still wood.

12 **Q.** Okay. And that number is going to decrease as
13 time goes forward?

14 **A.** It is decreasing because we do have programs
15 to remove and replace.

16 **Q.** Do you know the rate of decrease so that when
17 you expect to not have any more wooden poles on the
18 system?

19 **A.** Well, it's going to be, it's going to be over,
20 I would say not in the near term. From '06 to '07 to
21 '08 we've -- from '06 to '08 we've gone from 86 percent
22 down to 69 percent.

23 **Q.** So, you know, 8 percent a year, 9 percent a
24 year?

25 **A.** That's probably a rough figure. And then

1 certainly as we do new construction or rebuilds, we're
2 changing out the wooden poles as part of that also.

3 Q. Do you know what the, what the wind tolerance
4 of the wood poles is as compared to the spun steel or
5 the concrete?

6 A. I do not.

7 Q. All right. So just so I'm clear, anything
8 within 30 miles of the coast is 130 miles an hour
9 design?

10 A. Right.

11 Q. And if you're inland more than 30 miles, it
12 drops to 120.

13 A. 120.

14 Q. And do you know, your system, how much is in
15 the 130 versus how much is in the 120 range?

16 A. I do not.

17 Q. Okay. Do you know when these, these standards
18 were implemented, the 130 and 120?

19 A. They are contained in a 2007 storm hardening
20 document, and a, and in our design criteria document.
21 I'm sorry. If it's within 30 miles, it's 135. Not 130,
22 135.

23 So I would, I would say that in the '07 time
24 frame, based on the documentation that I have, is when
25 that started.

1 Q. Okay. And the documentation that you have,
2 what are you referring to, just so the record is clear?

3 A. Progress Energy Storm Hardening Plan dated
4 May 7th, 2007.

5 Q. Okay. And --

6 A. It addresses both distribution and
7 transmission.

8 Q. Okay. Should I save the distribution
9 questions for your distribution witness?

10 A. Mr. Joyner. Yes.

11 Q. Okay. Well, you would agree, given, given our
12 conversation last week and given the conversation today,
13 that to the extent that your hurricane expert was using
14 damage data out of 2004 and 2005, that given the design
15 change that has taken place following those years and
16 given the company's efforts to replace poles and design
17 them to the standards we just discussed, that from an
18 engineering perspective it's likely that all other
19 things being equal damage will be reduced as time goes
20 forward and you get more of these 135-mile-an-hour poles
21 or 120-mile-an-hour poles in the system; correct?

22 **MR. BURNETT:** Mr. Chair?

23 **CHAIRMAN CARTER:** Mr. Burnett.

24 **MR. BURNETT:** I'd object to the
25 mischaracterization of the storm expert's testimony and

1 lack of foundation for this witness.

2 **CHAIRMAN CARTER:** Rephrase, Mr. Moyle.

3 **BY MR. MOYLE:**

4 **Q.** Okay. From an engineering perspective, you
5 would agree, would you not, that, that your transmission
6 system would withstand damage, all other things being
7 equal, from a point in time of today as compared to what
8 the system looked like in 2005 or 2004, given the fact
9 that you're in the process of installing poles,
10 transmission poles that are capable of withstanding
11 winds of 135 miles an hour within 30 miles of the coast
12 and 120 miles per hour if the structure is more than
13 30 miles from the coast; correct?

14 **A.** I'm not sure I could agree with that. I think
15 it would depend on a number of factors. Probably the
16 biggest factor is where the storm hits, what part of the
17 state, what the concentration of replaced poles to
18 wooden poles are. Because as you can see from the data,
19 there's still a lot of wood out there.

20 **Q.** I --

21 **A.** And so I think it would just depend.

22 **Q.** I understand. And I was trying to get you to
23 focus just on all other things being equal and just look
24 at the design criteria. I mean, you're an engineer;
25 correct?

1 **A.** Yes, I am.

2 **Q.** And if we just had, had two -- you know, a
3 comparison of A and B, and A was a system that had
4 100 percent wood poles and B was, was a system that had,
5 let's say, 70 percent wood poles and 30 percent spun
6 concrete and steel, wouldn't you agree that B would
7 likely suffer less damage, all other things being equal?

8 **A.** I think, all other things being equal, that
9 that's a very simplistic example when, when these type
10 situations really have a lot of moving parts.

11 **Q.** Right. And just work with me on the
12 simplistic example, if you would.

13 **A.** I would say that based on that simple example
14 I could agree.

15 **Q.** The exhibit handed to you by Public Counsel,
16 it's been marked as 302, you said you hadn't seen this
17 exhibit before?

18 **A.** No.

19 **Q.** Are you -- you're familiar with what's
20 contained within it, are you not?

21 **A.** Oh, I am. Yes.

22 **Q.** Okay. But you just hadn't seen it in this
23 format?

24 **A.** I just have not seen it in this format.

25 **Q.** And I was going to ask you a couple of

1 questions about it, if you're comfortable with it. I
2 mean, if I pick an item and ask you what's going on with
3 this item, do you think you might be able to --

4 A. Well, if I don't, I'll just, all I can say is
5 I don't know or -- but I'll try.

6 Q. Okay. Well, let's just try it. The first
7 page in.

8 A. Page Bates Number 53?

9 Q. Yes, sir. Do you see that dark line that says
10 "FLT TRM Asset Management"?

11 A. Yes.

12 Q. Okay. And if you go down about four lines
13 past that, actually five, there's a line item that says,
14 "Coastal Florida Maintenance, Employee Labor,
15 Transmission Maintenance of Station Equipment."

16 A. Right.

17 Q. And it goes from 604,000 to 620,000.

18 A. Right.

19 Q. Do you know why that, that increased 15,000?

20 A. I do not.

21 Q. All right. And jump down, if you would, three
22 more lines. There's a line that says, "District
23 Maintenance of Station Equipment," and that goes from
24 779 to 800. Do you know why that went up 20,000?

25 A. I do not.

1 Q. Okay. And to get kind of to the bottom line,
2 the bottom line is found, is it not, on Bates Page 56?

3 A. Where on Page 56, please?

4 Q. See that shaded line at the bottom, it says,
5 "Business Unit O&M Exclusive Service Company"?

6 A. I see that. Yes.

7 Q. Okay. What, what does that line represent?

8 A. That's not my budget, I can tell you that.
9 That's half a billion dollars. There's, there's
10 obviously more in there than just my information.

11 Q. All right. Would your budget, budget be up,
12 up above where it says, "Transmission Ops and Planning"?
13 Do you see that?

14 A. I do see that one.

15 Q. Does that look like yours?

16 A. The -- it does.

17 Q. Are y'all seeking, do you know, are you
18 seeking that big number or just the number that's up
19 above the smaller number?

20 A. I don't, I don't know anything about that
21 number that's, that you pointed out in the shaded line.

22 Q. Okay.

23 A. The number that you're pointing out for
24 Transmission Operations and Planning Florida --

25 Q. Uh-huh.

1 **A.** -- I do know a little bit more about that
2 number.

3 **Q.** All right. Well, let's talk about that
4 number. Those are your numbers; correct?

5 **A.** Yes.

6 **Q.** And you would agree that, that there's a
7 significant increase from the 2009 annual budget to the
8 2010 budget; correct?

9 **A.** I think when -- as talked about with
10 Mr. Rehwinkel, the, there is a, a budget increase, if
11 you go back to the testimony, of a little over
12 \$10 million. Yes.

13 **Q.** Okay. And then just approximately what
14 percent would that be?

15 **A.** I think, based on the numbers that we talked
16 about in my direct testimony, it's about 29 percent.

17 **Q.** 29 percent increase?

18 **A.** Yes.

19 **Q.** And you would agree that that's not a minimal
20 increase; correct?

21 **A.** I think, without exploring where those numbers
22 come from, a 30 percent, 29 percent increase is, can be
23 perceived as high.

24 **Q.** Right. I mean, if -- okay. And did, did
25 anyone in management come to you and suggest that, that

1 for 2009 and 2010 that, that y'all should try to target
2 minimal O&M growth?

3 **A.** Well, I think -- I can't say that anybody from
4 management came to me and, and said that. I think as a
5 normal course of business that's what we always try to
6 do.

7 **Q.** Right. And for 2009 to 2010, I think we've
8 established that, that the number was, was rather
9 significant. I'm just trying to understand, because
10 there was a document yesterday -- were you in the room
11 yesterday when Mr. Dolan was on the stand?

12 **A.** I was.

13 **Q.** There was a document 293 that was some
14 presentations to Wall Street, and there's been some
15 focus on a slide in there that talks about targeting
16 minimal O&M growth. And I'm just trying to understand
17 whether, whether it was communicated to you in any way,
18 shape or form that minimal O&M growth was something that
19 should, should be sought in 2010.

20 **A.** Well, in response to that, I was here and I
21 heard the, the testimony and the discussion. But I
22 think, again, you have to kind of understand what's
23 behind the numbers. And, you know, 6.9 million of that
24 is a FERC compliance requirement. 2.75 additional and
25 vegetation management is a NERC compliance issue with

1 200 kV and above tree trimming. And then 1 million of
2 it is an additional asked for bonding and grounding,
3 which is a high value maintenance program.

4 Q. Yes, sir. Do you expect that, that, as you go
5 forward in the out years, that your maintenance, your
6 O&M number will continue to go up at that level, will it
7 stay the same, will it come down?

8 A. I think outside of normal escalators what
9 we're asking for we see as being a going forward number.
10 So I would think that you would expect to see outside of
11 any unusual compliance requirements, which most of this
12 ask is, additional ask is made up of, outside of that, I
13 don't, I don't foresee any unusual jumps in O&M.

14 Q. Did you hear Mr. Dolan suggest that you might
15 be able to shift O&M from, from year to year depending
16 on the circumstances when he was on the stand yesterday?

17 A. I did not hear. I may have been out for that.
18 I didn't hear that.

19 Q. You would agree, would you not, that to the
20 extent that the system is not going to be jeopardized or
21 in danger, that you have some flexibility with respect
22 to scheduling O&M?

23 A. Well, again, I think we're, we're talking
24 apples and oranges here. I'm more talking about
25 compliance requirements, not just normal routine O&M.

1 Q. Yes, sir. Now you talk about that you move
2 money to focus on the 200 kV because there's a FERC
3 penalty associated with, with, with noncompliance;
4 correct?

5 A. With noncompliance. Right.

6 Q. Okay. And that seems to have driven a lot of,
7 a lot of decisions and a lot of action. Does the
8 Florida Public Service Commission have any penalty or,
9 or consequence if you fail to comply with, with their
10 storm hardening directives that you know of?

11 A. Not that I'm aware of.

12 Q. I want to ask you just a couple of questions
13 about your direct, I'm sorry, your rebuttal testimony.
14 And you, you take issue with FIPUG Witness Marz, do you
15 not?

16 A. Well, the, the -- if you'll point me to a
17 specific area of this, I can address that.

18 Q. Well, on Page 1, Line 14, you say that the
19 purpose of your rebuttal testimony is to address
20 assertions and conclusions made by OPC Witness Schultz
21 and FIPUG Witness Marz.

22 A. Uh-huh.

23 Q. So I just, I just was as a foundation
24 establishing that you disagree with, with Mr. Marz. Can
25 you tell, tell, tell us why you agree -- disagree with

1 Mr. Marz? Because -- well, let me ask it this way. You
2 agree essentially because he's suggesting that maybe the
3 O&M costs in 2010 are heavy, are loaded up in 2010;
4 correct?

5 A. I think -- that is correct, for the reasons
6 that we just finished discussing.

7 Q. Okay. And are you aware that Mr. Marz, his
8 testimony has, has been accepted by, by this Commission,
9 was entered into evidence, and was not challenged or
10 questioned by, by Progress Energy Florida?

11 A. I think so. Yes.

12 Q. On Page 3, Line 11, I was confused by this
13 because I read it as, as you criticizing Mr. Schultz for
14 his analysis with respect to certain, certain goals. Is
15 that correct?

16 A. Well, and as I discussed with Mr. Rehwinkel,
17 the issue that I had was that he is confusing stretch
18 goals with what I would call an employee incentive goal.
19 And for, for a couple of these years, '07 and '06, we
20 had two customer SAIDI goals. There was a goal and then
21 a stretch goal which, which attempted to do 10 percent
22 better. And what, what he was doing was comparing the
23 two goals, which kind of gave me an idea that he didn't
24 understand that there was a stretch goal and a normal
25 goal, normal performance goal.

1 Q. I, I read this that, that you were criticizing
2 him because Progress Energy previously had, had combined
3 SAIDI goals for Progress Energy Florida and Progress
4 Energy Carolina, that they were combined goals. And
5 then, and then, and then you -- the company made a
6 decision to split them out, and then Mr. Schultz in his
7 analysis, you know, used your data and looked at it.
8 But you said given the split, as I understood it, the
9 approach was incorrect and results in an invalid
10 comparison; is that correct?

11 A. You're right. You're right. In the lines
12 that you referenced, that is, that is the issue at that
13 point, going from combined to noncombined.

14 I guess I had jumped ahead a few lines down
15 where we talk about the difference between the goal and
16 the stretch goal. I'm sorry.

17 Q. That's okay. But I just want to make sure
18 that we're clear. I mean, Mr. Schultz didn't do
19 anything wrong. He used your, your data and, you know,
20 you all made a decision to split them out. He just
21 tracked your data; correct?

22 A. Well, if you, if you go back to the goal
23 sheets, it clearly says combined and then Florida for
24 the next year. So he doesn't have -- he doesn't draw a
25 distinction that they're two separate goals. If you go

1 back to the '06 goal sheet, it clearly says combined
2 SAIDI. If you go to the '07 sheet, it's Florida SAIDI.

3 Q. Okay.

4 A. And the question was is why is one number
5 higher than the other one?

6 Q. Let me direct you to Page 4, Line 15. I say
7 Line 15. It starts on 12. I'll just read the sentence
8 I want to ask you about. Quote, "It is also important
9 to note that the SAIDI goal, along with all other
10 incentive goals, is audited annually by PEF's internal
11 auditing department to ensure that our goals are set at
12 sufficiently aggressive and challenging levels."

13 A. What page did you say?

14 Q. I'm sorry. Four. And the sentence I read
15 starts on Line 12. Tell me when you're there.

16 A. Okay. I found it.

17 Q. Now do you, do you get these audit reports
18 back that are done from, by your internal auditing
19 department?

20 A. I do.

21 Q. Okay. And as we sit here today, has the
22 internal auditing department ever come back and said
23 that you failed to set a goal at a sufficiently
24 aggressive or challenging level?

25 A. I have, I have, I have had discussions with

1 audit about goal setting, and they have come back and,
2 and questioned the validity of goals, number one, and
3 the level of goal.

4 Q. Okay. And I guess my understanding of audits
5 is you get a document that's the final audit report,
6 correct, or some kind of a final document?

7 A. There's a, there's a -- there's -- in --
8 there's a discussion and a final report.

9 Q. Right. And typically discussions take place
10 before the final report is issued; correct?

11 A. That's right. That's right.

12 Q. All right. And I guess my question is
13 focusing on the final document, the final report. Has
14 any final report ever come back and said that the goals
15 that were set were, were not sufficiently aggressive or
16 challenging?

17 A. I don't recall a report coming back because
18 the discussions leading up to the final report generally
19 address the issues. And when the final report comes
20 out, it asserts that the goals are, are correct.

21 Q. Okay. So I take it that the answer to my
22 question is no.

23 A. No.

24 Q. Okay. You had mentioned just a minute ago
25 about, about the difference between goals and stretch

1 goals, and I think you said for your stretch goals it
2 was more than a 10 percent level.

3 A. It's roughly 10 percent in the numbers that
4 are in the reports here.

5 Q. Yes, sir. And as we sit here today, your
6 transmission operations, they have not been asked to go
7 and do a belt tightening exercise in which a certain
8 percentage of your expenditures was asked to be cut,
9 such as 10 percent, 5 percent; correct?

10 A. No, they've not.

11 Q. Okay.

12 A. Now from a belt tightening standpoint, that
13 part of the question, you know, we're always trying to
14 be as efficient as we can.

15 Q. I understand. I understand.

16 If, if, if senior management directed you
17 today to say, listen, we really need to wring some
18 savings, it's tough times, could you please go through
19 an exercise and identify if you can cut 10 percent out
20 of your budget and still keep the lights on, still keep
21 safe, reliable electric service, do you think you could,
22 you could do that?

23 A. I think you can always look at certain items,
24 but I think there's going to be a, there would be a
25 consequence.

1 **Q.** Yes, sir. And I guess the only consequence
2 that I'm, for the purposes of this question, you know,
3 worried about is inability to provide safe, reliable
4 electricity.

5 **A.** Well, I think, you know, number one would be
6 employee safety and ensuring that we maintain a safe
7 work environment for our employees, that we keep our
8 customer service levels at a certain acceptable number.
9 But I think there would be -- you know, we would have to
10 look at those consequences and risks to say, you know,
11 using your example of a 10 percent reduction, we would
12 have to factor all of those things in as we were going
13 through that exercise.

14 **Q.** Yes, sir. And my question, by using safe,
15 reliable energy, was presuming you're not going to
16 endanger anybody. But you're aware a lot of businesses
17 have gone, have gone through an exercise such as that to
18 try to trim, trim costs during these recessionary times;
19 correct?

20 **A.** I'm not sure that I'm aware. I know that I
21 heard a lot of discussion yesterday, but I'm not
22 personally aware of any of those.

23 **Q.** Okay. So the answer to my question is you
24 could probably look at that and undertake that exercise.
25 You're not sure whether 10 percent would be the right

1 number or not, or could you --

2 **A.** That's not, that's not what I said.

3 **Q.** Okay.

4 **A.** I said there would be consequences associated
5 with that.

6 **Q.** Okay. So would I then be correct to say that
7 you could do it, but there would be some consequences
8 associated with it?

9 **A.** I would say that would, that would probably be
10 reasonable to say. But, again, what the consequences
11 would be would be right now unknown without going
12 through the analysis.

13 **Q.** And going through the analysis, you're an
14 engineer and have been in this business, you obviously
15 would try to select some things that would, that would
16 be the least likely to jeopardize any, any human life or
17 reliable electricity; correct?

18 **A.** Those, those would certainly be first on the
19 list.

20 **Q.** Okay. And in this budget that we just looked
21 at, there are probably some items in there that would
22 fall under that category; correct?

23 **MR. BURNETT:** Mr. Chair?

24 **CHAIRMAN CARTER:** Mr. Burnett.

25 **MR. BURNETT:** Just object to vague and

1 ambiguous. He said "fall under that category." I'm not
2 sure what he's talking about.

3 **CHAIRMAN CARTER:** Mr. Moyle, rephrase.

4 **BY MR. MOYLE:**

5 **Q.** The category I was referring to was the ones
6 that would not imperil human safety or imperil the
7 ability to provide electricity.

8 **A.** It'd be hard for me to sit here today and
9 check off a list with you what those things are.

10 **Q.** Yeah. And some of those things, I mean,
11 there's more detail. We asked a couple of questions
12 about them. You'd need more information, like those
13 ones I showed you that was going up 20, you know, 20
14 grand and 20 grand, we didn't have any information about
15 those; correct?

16 **A.** Well, based on, based on the question you
17 asked, I did not know the answer.

18 **Q.** Okay.

19 **MR. MOYLE:** That's all I have. Thank you.

20 **CHAIRMAN CARTER:** Thank you, Mr. Moyle.

21 Mr. Lavia.

22 **MR. LAVIA:** Thank you, Mr. Chairman. I have a
23 couple questions.

24 **CHAIRMAN CARTER:** You're recognized.

25 **CROSS EXAMINATION**

1 **BY MR. LAVIA:**

2 **Q.** Good morning, Mr. Oliver.

3 **A.** Good morning.

4 **Q.** This follows up on the line of questioning
5 that Mr. Moyle was just asking you. You were here
6 yesterday when Mr. Dolan was talking about Exhibit 293.

7 **A.** I was here for most, most of the morning.

8 **Q.** Well, I can give you a copy. But let me, let
9 me represent to you that there is a reference to 3 to
10 5 percent productivity gains, and I'm just going to ask
11 you some basic questions about that.

12 Were you given any specific targeted
13 productivity gains by management for 2009?

14 **A.** Not specific numbers directed at me, although
15 I've seen the, the information that you have and that
16 was presented yesterday.

17 **Q.** Okay. Do you have any specific productivity
18 gains in mind for 2010?

19 **A.** I think as, as, you know, the discussion that
20 we had yesterday was centered around continuous business
21 excellence and, and those type discussions, which I
22 think we are just beginning or kind of at the, at the
23 front end of that. I think at a point in time those
24 will reap some, some rewards. I think it's very early
25 on in the exercise right now to, to say whether or not

1 we can do that.

2 Q. Have you developed any metrics for measuring
3 these, these rewards that we may be reaping?

4 A. No, we have not.

5 Q. Are you -- have you been tasked with
6 developing any metrics?

7 A. We have, we have started some discussions
8 about which streams of work that we would begin to look
9 at, and, you know, training some individuals in Six
10 Sigma and those type techniques in assessing where we
11 might be able to do that. But I think that's more of a
12 forward-looking exercise, and I think we'll probably see
13 more opportunity with that in the late '10, '11, '12
14 time frame, because we're just very early on in the
15 beginning stages of that.

16 MR. LAVIA: Thank you. No further questions.

17 CHAIRMAN CARTER: Thank you, Mr. Lavia.
18 Staff?

19 MS. FLEMING: We have no questions.

20 CHAIRMAN CARTER: Commissioner Skop.

21 COMMISSIONER SKOP: Thank you, Mr. Chair.

22 Thank you, Mr. Chairman.

23 Good morning, Mr. Oliver.

24 THE WITNESS: Good morning, Commissioner.

25 COMMISSIONER SKOP: Just two quick follow-up

1 questions. I believe on Page 6, Line 13 of your
2 rebuttal testimony, you discuss --

3 **THE WITNESS:** What page again? I'm sorry.

4 **COMMISSIONER SKOP:** I'm sorry. Page 6, Line
5 13.

6 **THE WITNESS:** I'm there.

7 **COMMISSIONER SKOP:** Okay. And on that line
8 you discuss line bonding. Do you know what line bonding
9 entails?

10 **THE WITNESS:** Yeah. It's a -- on each of our
11 transmission lines, or I'd say on most of our
12 transmission lines there's an overhead ground wire, a
13 static wire. And it's the physical exercise of
14 inspecting that bond to the bond, to the ground wire
15 that goes down the pole to the ground and ensuring the
16 integrity of that bond.

17 **COMMISSIONER SKOP:** Okay.

18 **THE WITNESS:** Those generally get -- lightning
19 is pretty, pretty bad on those over a period of time.

20 **COMMISSIONER SKOP:** Okay. And then on Page 8
21 of your rebuttal testimony, Lines 11 through 13, you
22 discuss the need for vegetation management funding on
23 transmission less than 200 kV to comply with NERC
24 standard FAC-003; is that correct?

25 **THE WITNESS:** Right.

1 **COMMISSIONER SKOP:** Okay. Now that vegetation
2 management funding would be different than what was
3 spent on distribution; is that correct?

4 **THE WITNESS:** Yes. My budget is separate
5 from, from distribution's budget. Yes, sir.

6 **COMMISSIONER SKOP:** Okay. And the witness to
7 answer those questions would be Mr. Joyner, I believe
8 you mentioned.

9 **THE WITNESS:** That's correct.

10 **COMMISSIONER SKOP:** Okay. And just one final
11 question. With respect to Mr. Moyle's discussion on
12 belt tightening measures or other initiatives you might
13 be under, able to undertake should management ask you to
14 do so, you indicated that you might be asked to do more
15 with less, but there would be unknown consequences; is
16 that generally true?

17 **THE WITNESS:** Well, I think with any, any time
18 that, any time that we would undertake an exercise like
19 that, we would have to assess the consequences of, of
20 where we made reductions.

21 **COMMISSIONER SKOP:** Okay. And is that a
22 typical tension that always exists between the financial
23 group or the bean counters and operations folks that are
24 responsible for the reliability of the equipment?

25 **THE WITNESS:** Well, I would say it's not

1 always contentious, but it is a good discussion.

2 **COMMISSIONER SKOP:** Been there myself. All
3 right. Thank you very much.

4 **THE WITNESS:** Thank you.

5 **CHAIRMAN CARTER:** He meant accountants when he
6 said bean counters. That was a term of endearment.

7 Anything further from the bench?

8 Redirect?

9 **MR. BURNETT:** No, sir. And he has no
10 exhibits, and we would ask if he can be excused.

11 **CHAIRMAN CARTER:** Since he's completed direct
12 and rebuttal, hasta la bye-bye. You may be excused.

13 **THE WITNESS:** Thank you.

14 **CHAIRMAN CARTER:** Exhibits, Mr. Rehwinkel.

15 **MR. REHWINKEL:** 301 and 302, Mr. Chairman.

16 **CHAIRMAN CARTER:** Are there any objections?

17 **MR. BURNETT:** No, sir.

18 **CHAIRMAN CARTER:** Without objection, show it
19 done.

20 (Exhibits 301 and 302 admitted into the
21 record.)

22 Call your next witness.

23 Hang on one second. Staff, can you walk us --
24 we had a change in the schedule for today?

25 **MS. FLEMING:** Yes. I believe OPC on the

1 revised schedule has requested that Dr. Woolridge be
2 taken up next, but we need to confer if he's here.

3 **CHAIRMAN CARTER:** Mr. Rehwinkel?

4 **MR. REHWINKEL:** I'm still waiting on him. He
5 was supposed to have arrived 15 minutes ago. He should
6 be here any minute.

7 **CHAIRMAN CARTER:** Do you want to take a minute
8 to go make a phone call?

9 **MR. REHWINKEL:** Yeah. Let me, let me check
10 and see.

11 **CHAIRMAN CARTER:** Let's do this,
12 Commissioners. Let's give Mr. Rehwinkel an opportunity.
13 We'll come back on the hour.

14 (Recess taken.)

15 (Transcript continues in sequence with Volume
16 22.)

17
18
19
20
21
22
23
24
25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

STATE OF FLORIDA)
 :
COUNTY OF LEON)

CERTIFICATE OF REPORTER

I, LINDA BOLES, RPR, CRR, Official Commission Reporter, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorneys or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 2nd day of October, 2009.

Linda Boles
LINDA BOLES, RPR, CRR
FPSC Official Commission Reporter
(850) 413-6734