



BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20220048-EI

**TAMPA ELECTRIC'S
2022-2031
STORM PROTECTION PLAN**

REBUTTAL TESTIMONY

OF

RICHARD J. LATTA

FILED: JUNE 21, 2022

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INTRODUCTION:

Q. Please state your name, address, occupation and employer.

A. My name is Richard J. Latta. My business address is 702 N. Franklin Street, Tampa, Florida 33602. I am employed by Tampa Electric Company ("Tampa Electric" or "the Company") in the Finance Department as Utility Controller.

Q. Are you the same Richard J. Latta who filed direct testimony in this proceeding?

A. Yes, I am.

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

A. The purpose of my rebuttal testimony is to address the deficiencies and misconceptions in the direct testimony of Lane Kollen, whom is testifying on behalf of the Office

1 of Public Counsel.

2
3 **Q.** Do you have any general comments regarding the overall
4 direct testimony of Mr. Kollen?

5
6 **A.** Yes. Mr. Kollen recommends that the Commission adopt
7 specific guidelines and criteria that would apply all to
8 utility SPPs. These guidelines and criteria are not found
9 in Section 366.96 (the "SPP Statute"), Rule 25-6.030 (the
10 "SPP Rule"), or Rule 25-6.031 (the "SPPCRC Rule"). As
11 explained in my rebuttal testimony, I believe that
12 adoption of these recommendations is problematic and
13 unnecessary.

14
15 **REBUTTAL TO DIRECT TESTIMONY OF LANE KOLLEN:**

16 **Q.** On Page 10, Line 1, Mr. Kollen States, "I recommend that
17 the Commission adopt and consistently apply decision
18 criteria for the selection, ranking, magnitude, and
19 prudence of the SPP programs and projects for the four
20 utilities to ensure that the utilities do not use the SPP
21 and SPPCRC process to displace costs that are subject to
22 and recoverable through the base rate process and shift
23 those costs to recover them through the SPP and SPPCRC
24 process", do you agree with his recommendation?

1 **A.** No, I do not. Mr. Kollen is attempting to impose
2 additional and unnecessary requirements into the SPP
3 Statute and the SPPCRC Rule related to possible double-
4 recovery of costs. Tampa Electric understands that the
5 SPP Statute and associated rules forbid double recovery
6 of costs through base rates and the SPPCRC and has taken
7 steps to avoid such double recovery. The Commission does
8 not need to adopt additional requirements to address this
9 issue. As the Administrative Law Judge discussed in his
10 Final Order in OPC's previous challenge to the SPP and
11 SPPCRC Rules in Case No. 19-6137RP, "There is nothing
12 confusing about the language used in the proposed rule--
13 it forbids double recovery. Regulated utilities can
14 readily understand its meaning--they may not recover
15 costs through the clause that they are already recovering
16 through base rates." The SPPCRC Rule explicitly prohibits
17 double-recovery by a utility. Under that rule, a utility
18 submitting a plan has the burden to demonstrate that the
19 utility will not have any double recovery. Tampa Electric
20 has met this burden.

21
22 **Q.** On Page 10, Line 15, Mr. Kollen states, "I recommend that
23 the Commission adopt and consistently apply uniform
24 methodologies among the utilities to determine the
25 revenue requirements and rate impacts of the programs and

1 projects in these proceedings and that it carry through
2 those uniform methodologies to the rate calculations in
3 the SPPCRC proceeding, do you agree with his
4 recommendation?

5
6 **A.** No, having common criteria or uniform methodologies for
7 determining revenue requirements and rate impacts for all
8 the utilities would be problematic and would provide no
9 value. Each utility has different financial details and
10 allocation methods which would cause unnecessary and
11 useless deviations in the resulting revenue requirement
12 and rate calculations. For instance, Tampa Electric
13 previously agreed with the Office of Public Counsel to
14 move some costs previously recovered through base rates
15 into the SPPCRC and to leave other SPP-related costs in
16 base rates. Other utilities may not have agreed on
17 precisely the same methodology.

18
19 **Q.** On Page 10, line 18, Mr. Kollen recommends that the
20 Commission should "exclude construction work in progress
21 ("CWIP") from both the return on rate base and
22 depreciation expense, and instead allow a deferred return
23 on the CWIP until it is converted to plant in service or
24 prudently abandoned." On page 25, Mr. Kollen also suggests
25 that CWIP should be excluded because it is impossible to

1 assess whether CWIP costs are prudent until they are
2 converted to plant in service or abandoned. Do you agree
3 with this recommendation?
4

5 **A.** No, I do not for several reasons. First, the company
6 operates all of the clauses in a similar manner, so by
7 inserting different requirements just in the SPPCRC would
8 be problematic in that it would require different policies
9 and procedures for how the clause is facilitated. For
10 example, in all of Tampa Electric's cost recovery clauses,
11 the company earns a return on the undepreciated balance,
12 which is the net investment less accumulated
13 depreciation. The net investment includes Construction
14 Work in Progress ("CWIP"). The intent of this method is
15 to allow the company to earn a return during construction
16 which keeps the utility whole as it is incurring expenses
17 to invest in assets which will benefit customers.
18 Therefore, it would not make sense to defer the return
19 until the asset went in service. Second, the company's
20 depreciation expense is not calculated on CWIP, it is
21 calculated only when that asset goes in service (i.e.,
22 when the asset is converted to plant in service).
23

24 **Q.** Also on page 10, Mr. Kollen recommends that the Commission
25 should allow property tax only on the net plant at the

1 beginning of each year. Do you agree with this
2 recommendation?

3

4 A. Tampa Electric already follows this recommendation. The
5 company calculates tax based on plant in service net of
6 accumulated depreciation, not CWIP. As a result, I do not
7 think the Commission needs to adopt any specific criteria
8 or guidance on this topic since it is not contained in
9 the SPP Statute or SPP Rules.

10

11 Q. Also on page 10, Mr. Kollen suggests that the Commission
12 should require a credit for the avoided depreciation
13 expense on plant that is retired due to SPP plant
14 investments. Do you agree?

15

16 A. Tampa Electric already includes a credit for depreciation
17 savings in the calculation of the revenue requirement. As
18 a result, I do not think the Commission needs to adopt
19 any specific criteria or guidance on this topic since it
20 is not contained in the SPP Statute or SPP Rules.

21

22 Q. Mr. Kollen asserts on page 10 that the Commission should
23 require utilities to move pole inspection and vegetation
24 management expenses from base rates to the SPPCRC. Do you
25 agree?

1 A. No, this recommendation does not apply to Tampa Electric.
2 Tampa Electric's 2020 Stipulation and Settlement
3 Agreement made adjustments to the 2020 Storm Protection
4 Plan Cost Recovery Clause ("SPPCRC") actual costs (in the
5 amount of \$10.4 million) and to base rates starting on
6 January 1, 2021 (in the amount of \$15 million) to
7 recognize the transition of the recovery of several base
8 rate activities into the SPPCRC. These activities
9 included planned distribution and transmission vegetation
10 management, distribution and transmission inspections,
11 and the O&M portion of transmission wood pole
12 replacements.

13
14 Q. Does this conclude your rebuttal testimony?

15
16 A. Yes.