

ORIGINAL

AUSLEY & McMULLEN

ATTORNEYS AND COUNSELORS AT LAW

227 SOUTH CALHOUN STREET
P.O. BOX 391 (ZIP 32302)
TALLAHASSEE, FLORIDA 32301
(850) 224-9115 FAX (850) 222-7560

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RECORDS AND REPORTING

August 11, 1999

BY HAND DELIVERY

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Generic Investigation of Cost Allocation and Affiliated Transactions for Electric Utilities; Docket No. 980643-EI

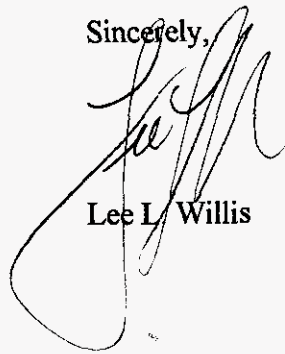
Dear Ms. Bayo:

Enclosed for filing are the original and fifteen (15) copies of Tampa Electric Company's Comments in the above matter.

Please acknowledge receipt and filing of the above by stamping the duplicate copy of this letter and returning the same to this writer.

Thank you for your assistance in this matter.

Sincerely,



Lee L. Willis

Revell

LLW/bjd

cc: All Parties of Record (w/encl.)

Enclosures

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PPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Generic Investigation of Cost Allocation)
 and Affiliated Transactions for Electric)
 Utilities)
 _____)

DOCKET NO. 980643-EI
 Filed: August 11, 1999

COMMENTS OF TAMPA ELECTRIC COMPANY

Pursuant to Notice dated July 8, 1999, Tampa Electric Company ("Tampa Electric" or "the Company") hereby submits this its Comments on the proposed rule amendments published in the Notice of Proposed Rule Development and says:

General

Tampa Electric Company objects to the proposed changes to Rules 25-6.135, 25-6.1351 and 25-6.0436 outlined in the notice issued July 8, 1999. Alternatively, the Commission should retain the existing rules and deal with any issues regarding the pricing or accounting for affiliated transactions on a case-by-case basis. Narrow rules inevitably lead to conflicting interpretations and exceptions, and they are likely to discourage affiliated transactions which are intended to realize economies of scale and synergies which benefit ratepayers.

Tampa Electric clearly agrees that business entities should not subsidize each other, i.e., that they should not charge or fail to charge costs to each other which do not accurately reflect the underlying economic transaction. Further, Tampa Electric clearly agrees that a regulated utility should not incur costs from an unregulated affiliate which are higher than its reasonable alternative prudent costs. We agree that some level of reporting and audit of affiliate transactions is necessary for the Commission to fulfill its regulatory responsibilities. However, these agreed regulatory approaches do not dictate the need for detailed prescriptive pricing rules,

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and we believe that a narrow prescriptive rule would impose an undue administrative burden on all concerned.

Alternative Wording For Rule 25-6,1351

Tampa Electric Company recommends that the existing rules not be changed. Recent rulings by the Commission indicate that once rules are adopted, the Commissioners have limited ability to interpret them or to waive them. For this reason, the Commission ought to be very careful not to adopt rules which bind Commissioners in a rigid way. However, if the Commission elects to modify the existing rules, Tampa Electric Company offers the following wording changes to the proposed rule changes issued July 8, 1999.

1. Paragraph 2(h)

Definitions - A definition of the word "subsidize" should not be defined narrowly as "the act of utility ratepayers paying more than their share of costs...etc." The definition should reflect that regulated activities can be subsidized by affiliates as well as affiliated activities being subsidized by the regulated entity.

An improved definition would be to delete the proposed language and substitute:

"Subsidize - Accounting for costs by allocating more or less cost from one entity to another than the underlying economic transaction supports."

2. Paragraph 3 - Non-Tariffed Affiliate Transactions

Tampa Electric suggests deleting paragraph 3 in its entirety as proposed and substituting the following language: “Regulated utilities shall price transactions with affiliates so as to ensure that utility ratepayers are not harmed by the transactions. The burden of proof for this assurance will be borne by the utility.”

Tampa Electric also recommends the addition of wording to the rule which makes it clear that affiliate transactions for which standards of prudence have already been approved (such as those between Tampa Electric and Gatliff Coal or TECO Transport) are not subject to the pricing requirements proposed. These transactions are already subject to prudence methodologies ordered by the Commission and they are already subject to review in the fuel adjustment proceedings.

3. Paragraph 4 - Cost Allocation Principles

Paragraph 4(a)- Delete the proposed language and substitute: “Each regulated utility’s accounting records must identify each transaction made with its affiliated entities.”

Paragraph 4(b)- Delete the proposed language and substitute: “Direct costs associated with any transactions by a regulated utility with its affiliates shall be identified in the regulated utility’s accounting records.”

Paragraph 4(c)- Delete the proposed language and substitute: “Indirect costs associated with any transaction by a regulated utility with its affiliates shall be identified in the regulated utility’s accounting records. The regulated utility shall allocate at a minimum the incremental indirect cost for each transaction with an affiliate. If incremental indirect costs cannot be identified specifically, the utility shall allocate average indirect costs for each transaction. The regulated utility must maintain an audit trail of each transaction with its affiliates in accordance with the record retention requirements in Rule No. 25-6.014(3), F.A.C.

Paragraph 4(d)- Delete paragraph (covered by paragraph 5).

4. Paragraph 5 - Reporting Requirements:

Make the following changes (legislative format):

“Each regulated utility shall file information concerning its affiliates and affiliate transactions, ~~and nonregulated activities~~ on Form PSC/AFA 19 (xx/xx) which is incorporated by reference into this rule. Form PSC/AFA 19, entitled, “Annual Report of Major Electric Utilities,” may be obtained from the Commission’s Division of Auditing and Financial Analysis.”

5. Paragraph 6 - Audit Requirements: Make the following changes (legislative format):

Paragraph 6(a)-

~~“Each regulated utility ~~involved in affiliate transactions or in nonregulated activities~~ must maintain a Cost Allocation Manual (CAM) which sets out the accounting policies and procedures used in any transactions between the regulated utility and its affiliates. ~~The CAM must be organized and indexed so that the information contained therein can be easily accessed.~~”~~

Paragraphs 6(b),
6(c) and 6(d)

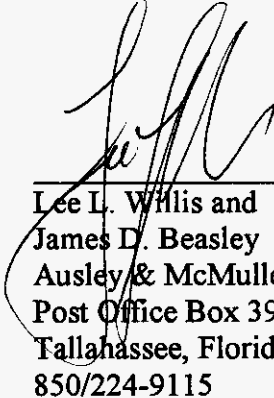
Delete these paragraphs. The Commission should not require an independent (outside) auditor to issue a report on the CAM. Aside from the unnecessary cost of such a report, a requirement to have such a report will not likely replace the need for the Commission’s own auditors to review any transactions between the regulated utilities and their affiliates because of timeliness and because independent auditors follow rules which have different standards of materiality. The proposal that the costs of such a report “not be chargeable to expense for ratemaking purposes” is punitive and unduly discriminatory. Any cost (other than a fine) mandated by regulatory rule or order is, by definition, a prudent cost which is properly allowable for ratemaking purposes.

Without a rule, the Commission staff may schedule audits of affiliated transactions as necessary. Tampa Electric believes that no rule is necessary to specify audit periods.

Alternative Wording For Rule 25-6.0436

Paragraph 2(c)- Should read (in legislative format) "When plant investment is transferred from one regulated utility plant account to another and/or when assets owned by a regulated utility are sold to an affiliate, ~~affiliated company shall have an~~ the associated depreciation reserve amount shall also be transferred...etc."

Dated this 11th day of August, 1999.



Lee L. Willis and
James D. Beasley
Ausley & McMullen
Post Office Box 391
Tallahassee, Florida 32302
850/224-9115

ATTORNEYS FOR TAMPA ELECTRIC
COMPANY

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Tampa Electric Company's Comments has been furnished by U. S. Mail or Hand Delivery (*) this 11th day of August, 1999 to the following:

Mr. Kenneth Dudley *
Division of Electric & Gas
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Mr. Jeffrey a. Stone
Beggs & Lane
Post Office Box 12950
Pensacola, FL 32576

Ms. Vicki Kaufman
Florida Industrial Power Users Group
McWhirter, Reeves, McGlothlin et al.
117 South Gadsden Street
Tallahassee, FL 32301

Mr. Bill Walker
Florida Power & Light Company
215 South Monroe Street, Suite 810
Tallahassee, FL 32301-1859

Mr. James A. McGee
Florida Power Corporation
Post Office Box 14042 (A5A)
St. Petersburg, FL 33733-4042

Mr. Frank C. Cressman
Florida Public Utilities Company
Post Office Box 3395
West Palm Beach, FL 33402-3395

Ms. Susan D. Ritenour
Gulf Power Company
One Energy Place
Pensacola, FL 32520-0780

Mr. Jack Shreve
Mr. Charlie Beck
Office of Public Counsel
111 W. Madison Street, #812
Tallahassee, FL 32399-1400

Mr. Matthew M. Childs
Steel Hector & Davis
215 South Monroe Street, Suite 601
Tallahassee, FL 32301

Attorney

