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October 29, 1999

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RECORDS AND REPORTING

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

Re: Environmental Cost Recovery Clause – 1999
Docket No. 990007-EI

Dear Ms. Bayo:

Enclosed for filing in the above proceeding are ten (10) copies of Tampa Electric Company's Rebuttal Testimony of Phil Barringer.

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

Thank you for your assistance in connection with this matter.

Sincerely,

James D. Beasley
James D. Beasley

JDB/bjd
Enclosures

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

- AFA _____
- APP _____
- CAF _____
- CMU _____
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- LEG _____
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FPSC-RECORDS REPORTING

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the Rebuttal Testimony of Phil Barringer filed on behalf of Tampa Electric Company has been furnished by hand delivery (*) or U. S. Mail on this 29th day of October 1999 to the following:

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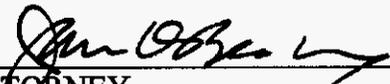
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ATTORNEY

1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2 PREPARED REBUTTAL TESTIMONY

3 OF

4 PHIL L. BARRINGER

5
6 Q. Please state your name, address, occupation and employer.

7
8 A. My name is Phil Barringer. My business address is 702
9 North Franklin Street, Tampa, Florida 33602. I am
10 employed by Tampa Electric Company ("Tampa Electric" or
11 "the company") in the position of Vice President -
12 Controller.

13
14 Q. Are you the same Phil L. Barringer who submitted
15 testimony in this proceeding on October 1, 1999?

16
17 A. Yes, I am.

18
19 Q. What is the purpose of your testimony?

20
21 A. The purpose of my testimony is to point out deficiencies
22 in certain positions advanced in the testimony filed in
23 this proceeding by Commission Staff witnesses, G. John
24 Slemkewicz and Patricia S. Lee, and Florida Industrial
25 Power Users Group's ("FIPUG") witness, Kent D. Taylor, as

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1 they relate to Environmental Cost Recovery Clause
2 ("ECRC") issues including: 1) timing of petitions, 2)
3 appropriate methodology for treatment of retirements of
4 replaced plant-in-service items, and 3) appropriate
5 methodology for determining base rate recovery versus
6 ECRC factor recovery. I will also address certain
7 assertions advanced by Mr. Taylor with regard to Tampa
8 Electric's Big Bend 1 and 2 FGD system ("FGD system").
9 All of these issues have been previously and conclusively
10 addressed by this Commission and are inappropriate for
11 this proceeding.

12
13 **Timing of Petitions**

14 Q. Do you agree with FIPUG's proposal that there should be
15 at least three months between the filing of utility
16 testimony and projections and the due date of intervenor
17 testimony?

18
19 A. No. Although all parties most likely feel time
20 constraints under the current ECRC filing schedule,
21 FIPUG's proposal is unnecessary and imprudent. To allow
22 such an extended period of time for intervenor testimony
23 would mean that utilities would need to file testimony
24 and projections on or around July 1 for the subsequent
25 calendar year. This Commission has procedures in place

1 that allow for utilities to seek timely approval for
2 recovery of costs for new projects throughout the year.
3 Intervenors have the opportunity to participate in this
4 process. Tampa Electric does not believe that an
5 earlier, fixed due date is necessary or appropriate.
6

7 **Replacement of Existing Assets**

8 Q. Please comment on the direct testimony of Commission
9 Staff witness, Patricia S. Lee.

10
11 A. Although I agree with several points Ms. Lee presents in
12 her testimony, I disagree with her proposed methodology
13 for determining whether specific costs are being
14 recovered through base rates. Ms. Lee's methodology is
15 inconsistent with prior positions of Staff, which were
16 adopted as policy of this Commission in January 1994.
17 Consequently, her definition of "incremental" as cost
18 differentials versus new environmental activities not
19 included in the test year of the utility's last rate case
20 is inconsistent with the prior decisions of this
21 Commission. In Order No. PSC-94-0044-FOF-EI ("Order 94-
22 0044"), issued January 12, 1994, set out the appropriate
23 methodology as follows:
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Staff witness Bass proposed the solution is to allow recovery of costs associated with activities which were not included in the test year of the utility's last rate case. This proposal satisfies the legislative intent and is consistent with regulatory theory.

Order 94-0044 goes on to conclude that scope changes, as the result of new environmental requirements, are also new or incremental activities. It is clear from this precedent-setting order that the Commission supports full recovery of all prudent costs associated with required environmental projects implemented after 1993, not simply cost differentials associated with these new activities. Therefore, utilities should not be denied full recovery of all prudently incurred costs associated with environmental requirements.

Staff witness Lee, in effect, supports the treatment Tampa Electric has proposed which is that no adjustment should be made to total costs associated with capital projects recoverable through the ECRC. In her prepared testimony she states:

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Under the group depreciation concept, it is recognized that some assets within the group will live a life shorter or longer than the expected average, but on the whole, the group will live the expected average. Under normal conditions of patterns of variations in plant activity and life and salvage projects, recovery over the remaining life of the account should suffice.

Although the replaced asset may be retired earlier than anticipated due to new environmental requirements, the group depreciation concept acknowledges this can occur without the need to adjust depreciation on an individual asset by asset basis.

Q. Do you agree with witness Lee's overall position that an ECRC adjustment should be made associated with the retirement of an existing investment?

A. No. The existing asset was a prudent and necessary investment. Likewise, the investment in the new environmental asset has also been deemed to be a prudent investment required for environmental compliance. The company has properly applied Commission-approved

1 depreciation methods to the original investment amount.
2 To make an ECRC adjustment as proposed by Ms. Lee would
3 effectively be disallowing recovery of a portion of the
4 total dollars spent on these two prudent investments.
5 Nothing associated with the new environmental project
6 renders the original investment imprudent. Nothing
7 associated with the ECRC renders Commission-approved
8 depreciation practices inappropriate. An adjustment to
9 reduce recovery is inconsistent with Commission policy
10 and runs against the intent of the environmental statute.
11

12 **Base Rate Versus ECRC Recovery**

13 Q. Do you agree with Staff witness Mr. Slemkewicz that the
14 starting point for evaluating whether any environmental
15 costs are currently recovered through base rates is the
16 time of the most recent revision to the utilities base
17 rates?
18

19 A. No. For those stipulations that call for permanent or
20 temporary base rate reductions, I do agree that base
21 rates are modified. This, however, does not provide a
22 new point of beginning for evaluating whether
23 environmental costs are currently recovered through base
24 rates unless the stipulation specifically so provides.
25 Stipulations are not mini-rate cases whereby all

1 revenues, expenses and investments are analyzed. When
2 Tampa Electric entered into its current stipulation that
3 called for temporary base rate reductions, no particular
4 or specific costs were earmarked to make up those
5 reductions. It would be against Commission policy of
6 encouraging settlements and voluntary rate reductions to
7 then disallow environmental cost recovery by using the
8 date of any rate reduction included in a stipulation
9 unless that result is specifically included in the
10 stipulation.

11
12 Q. Do you agree with Mr. Slemkewicz that current earnings
13 could be used to determine whether environmental costs
14 are allowed for recovery through the ECRC?

15
16 A. No. The ECRC was established to provide a mechanism by
17 which utilities could recover required environmental
18 costs that were not included in the utility's last rate
19 case. The Commission and Legislature recognized that a
20 mechanism such as the ECRC would encourage utilities to
21 comply with ever-increasing environmental requirements.
22 As the Commission stated in Order 94-0044,

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24 Accordingly, we find that if the utility is
25 currently earning a fair rate of return that it

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should be able to recover, upon petition, prudently incurred environmental compliance costs through the ECRC . . .

The environmental law allows utilities to recover these associated costs in a timely manner, between utility's rate cases regardless of the current revenues generated by the base rates that are in effect.

Other Issues Already Decided

Q. Has Mr. Taylor included in his testimony issues that have been resolved by this Commission?

A. Yes.

Q. What is the first issue in Mr. Taylor's testimony that has been considered and decided upon by this Commission?

A. Mr. Taylor states that he believes 10.75%, which is the lowest point in Tampa Electric's current return on equity range, is the appropriate return Tampa Electric should be allowed on its FGD system investment. This Commission has already reached the conclusion on this issue in a number of ECRC decisions that a utility should use the midpoint of its last authorized return on equity range

1 for purposes of capital investment recovery under the
2 ECRC. The current midpoint of Tampa Electric's
3 authorized return on equity is 11.75%. The initial
4 precedent was set in Order 94-0044 where the Commission
5 stated:

6
7 Section 366.8255(1)(d)(1), Florida Statutes,
8 clearly states that an electric utility be
9 allowed to earn its last authorized rate of
10 return on equity on in-service capital
11 investments incurred by the utility in complying
12 with environmental laws or regulations.

13
14 It is inappropriate for this issue to be considered again
15 in this proceeding.

16
17 Q. What is the second point in Mr. Taylor's testimony that
18 has been considered and decided upon by this Commission?

19
20 A. FIPUG's witness suggests that Tampa Electric should not
21 begin recovering on the FGD system until 2003 when he
22 asserts, without basis, benefits begin. However, Mr.
23 Taylor misses the point entirely. The question of
24 benefits is only relevant to the decision of which
25 compliance alternative is the most cost effective, a

1 matter that this Commission has already resolved in Order
2 No. PSC-99-0075-FOF-EI, issued January 11, 1999 in Docket
3 No. 980693-EI. The reason for moving forward
4 expeditiously with the construction of the most cost
5 effective compliance alternative is to meet a legal
6 compliance obligation. Florida law and Commission
7 precedence entitles utilities to begin recovering costs
8 incurred at the time eligible project expenses are
9 incurred.

10
11 Q. What is the third issue in Mr. Taylor's testimony that
12 has been considered and decided upon by this Commission?

13
14 A. Mr. Taylor states that it is not appropriate to recover
15 the FGD system through the ECRC. This is inconsistent
16 with this Commission's final decision granting Tampa
17 Electric's petition for recovery of the FGD system
18 through the ECRC. It is unnecessary for this decision to
19 be reheard in this proceeding.

20
21 Q. Does this conclude your testimony?

22
23 A. Yes, it does.
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