

ORIGINAL

TAMPA ELECTRIC COMPANY
DOCKET NO. 950379-EI
FILED: 4/17/2000

1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2 PREPARED DIRECT 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. Please provide a brief outline of your educational
15 background and business experience.

16
17 A. I received a Biology degree from Davidson College and an
18 Accounting Degree from the University of South Florida. I
19 earned my CPA designation. I spent seven years in the
20 banking industry and a year with Coopers & Lybrand before
21 joining Tampa Electric in 1984. Prior to my current
22 position, I have held the positions of Director of
23 Business Planning, Director - Pricing and Financial
24 Analysis in the Regulatory Department and Assistant
25 Controller. My current position is Vice President-

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FPSC-RECORDS/REPORTING

1 Controller with responsibility for accounting, financial
2 reporting and budgeting practices. I am responsible for
3 implementing and applying accounting policies and
4 practices for Tampa Electric. I am also responsible for
5 maintaining the financial books and records of the
6 company. I am a member of the Florida Institute of
7 Certified Public Accountants and the American Institute
8 of Certified Public Accountants.

9
10 Q. Have you previously testified before the Florida Public
11 Service Commission ("Commission")?

12
13 A. Yes. I have testified before this Commission in Docket
14 No. 990007-EI regarding certain accounting issues in the
15 Environmental Cost Recovery Clause.

16
17 Q. Please describe the Florida Industrial Power Users
18 Group's ("FIPUG") protest.

19
20 A. FIPUG listed several general areas of concern in its
21 protest including Tampa Electric's level of capital
22 expenditures, construction work in progress ("CWIP")
23 projects in rate base and affiliate transactions. FIPUG
24 also raised questions that will be addressed by Tampa
25 Electric witness Bacon concerning appropriate accounting

1 for cost recovery clauses, the accuracy of specific items
2 within the surveillance reports, the treatment of certain
3 wholesale contracts and the recovery of income taxes. In
4 addition, FIPUG questioned the amounts included in rate
5 base for the Polk Power Station. This issue will be
6 addressed by Tampa Electric witness Black and myself.
7 Finally, FIPUG indicates that the Commission should
8 further adjust the company's equity ratio, which will be
9 addressed by Tampa Electric witness Callahan.

10
11 Q. What is the purpose of your testimony?

12
13 A. The purpose of my testimony is to present information
14 confirming that the rate base included in Tampa
15 Electric's earnings calculation for 1997 and 1998 was
16 appropriate and extensively audited. More specifically,
17 I will address areas of concern raised by FIPUG,
18 including the company's level of capital expenditures,
19 CWIP projects in rate base, property held for future use
20 ("PHFFU") and affiliate transactions during 1997 and
21 1998. I will also address the Polk Power Station project
22 final capital cost as it compares to the amount
23 identified in Order No. PSC-96-1300-EI ("Stipulation")
24 dated October 24, 1996 to be included in rate base.

25

1 Q. What is the source of the data contained in your
2 testimony and in the documents you sponsor in this
3 proceeding?
4

5 A. The data presented in my testimony and documents are
6 based on the books and records of the company. These
7 books and records are maintained under my supervision and
8 kept in the regular course of our business in accordance
9 with Generally Accepted Accounting Principles and the
10 Uniform System of Accounts as prescribed by the Federal
11 Energy Regulatory Commission ("FERC") and endorsed by
12 this Commission.
13

14 The company's books and records are audited quarterly and
15 annually by TECO Energy's independent auditors,
16 PricewaterhouseCoopers. These audits and reports are
17 reviewed by this Commission. The company is also audited
18 on a regular basis by this Commission's Staff, the FERC
19 and other governmental agencies. The company makes
20 regular monthly, quarterly, and annual reports to the
21 Commission, monthly and annual reports to the FERC, and
22 quarterly and annual reports to the Securities and
23 Exchange Commission.
24
25

1 Q. What are the procedures used in the audits described
2 above?

3
4 A. These audits follow very detailed audit procedures
5 including, but not limited to, the following: tracing
6 amounts to the general ledger, vouching various items to
7 the source documents, performing fluctuation analyses,
8 examining significant or unusual amounts, recalculating
9 and verifying mathematical calculations and examining
10 Commission-ordered adjustments.

11
12 Capital Expenditures

13 Q. What were Tampa Electric's total construction
14 expenditures for 1997 and 1998?

15
16 A. Total capital expenditures during 1997 and 1998 were
17 \$123.9 million and \$172.4 million, respectively.

18
19 Q. What significant non-recurring capital projects were
20 included in these amounts?

21
22 A. In 1998, \$16.1 million was related to the Big Bend Units
23 One and Two Flue Gas Desulfurization ("FGD") scrubber
24 project approved in Docket No. 980693-EI. During 1998
25 the company also began construction on the 180 MW

1 combustion turbine, Polk Unit Two, which is scheduled to
2 be placed in service in 2000. The construction
3 expenditures for this project totaled \$6.1 million during
4 1998.

5
6 Q. Please characterize the remaining construction
7 expenditures for 1997 and 1998.

8
9 A. The remaining capital expenditures in 1997 and 1998,
10 which represent a majority of the total funds spent,
11 include costs necessary to support the continued
12 expansion and reliability of the transmission and
13 distribution ("T&D") system, as well as expenditures
14 needed to maintain the company's generating units.

15
16 The capital expenditures on the T&D system helped support
17 the prudently and efficiently maintained reliability of
18 the company's system for the benefit of customers, and
19 supported Tampa Electric's growing customer base. During
20 1997 and 1998, as reported to the Commission, Tampa
21 Electric's Distribution System Average Interruption
22 Duration Index ("SAIDI") was at 45.39 minutes and 42.26
23 minutes, respectively, which are among the best
24 performances by an investor-owned utility in Florida.

25

1 Q. How does the company control and justify capital
2 spending?

3
4 A. Capital spending is controlled in several ways. The
5 company uses economic justification on large, specific
6 capital projects and careful management review of
7 smaller, blanket capital projects. Each year during the
8 annual business plan preparation process, each area of
9 the company submits a capital budget that must be
10 justified and approved. These approved budgets then
11 become targets and spending limits for the subsequent
12 year.

13
14 Q. How do Tampa Electric's overall construction
15 expenditures, excluding the significant projects related
16 to generation expansion and the FGD system, compare to
17 construction in periods prior to 1995 and the
18 Stipulation period?

19
20 A. From 1991 through 1994, the company's recurring
21 construction expenditures averaged \$131.2 million per
22 year. In 1995 through 1998, the company's recurring
23 construction expenditures have averaged \$119.3 million.
24 This demonstrates a significant effort by the company to
25 control spending and maximize the benefits provided by

1 the Stipulation agreements. Certain years may contain
2 higher construction than other years, yet on average,
3 construction expenditures have been very reasonable for a
4 significant period of time. This supports the conclusion
5 that construction expenditures have been prudent.

6
7 CWIP Projects in Rate Base

8 Q. In 1997 and 1998, what were the amounts of CWIP included
9 in the company's rate base for purposes of calculating
10 rate of return?

11
12 A. The 13-month average amount of CWIP in rate base during
13 1997 and 1998 was \$5.7 million and \$17.1 million,
14 respectively. The CWIP amount in 1997 only includes the
15 CWIP projects ineligible for AFUDC per Rule 25-6.0141,
16 Florida Administrative Code in effect at that time.
17 Ineligible projects are less than \$25,000 or have
18 construction periods of less than a year.

19
20 In 1998, in Docket No. 980693-EI, the Commission
21 concluded that to the extent Tampa Electric has eligible
22 projects up to \$36.171 million, the company must include
23 them in CWIP in rate base and not accrue AFUDC.
24 Therefore, the \$17.1 million of CWIP in Tampa Electric's
25 rate base in 1998 included both ineligible projects and

1 eligible projects that fell within the \$36.171 million
2 threshold. As stated earlier, these eligible projects
3 included \$16.1 million of capital expenditures related to
4 the Big Bend Units One and Two FGD project and \$6.1
5 million of capital expenditures related to the 180 MW
6 Polk Unit Two combustion turbine.

7
8 Q. Are these amounts a function of the company's capital
9 spending program?

10
11 A. Yes, the projects included in the CWIP amounts are
12 expenditures on capital projects that have not been
13 completed and placed into service. The amounts spent for
14 these projects were prudently incurred and were necessary
15 to reliably serve customers.

16
17 Property Held for Future Use

18 Q. What were the rate base amounts of PHFFU in 1997 and
19 1998?

20
21 A. In 1997 and 1998 the company had 13-month average
22 balances of PHFFU of \$33.1 million and \$32.6 million,
23 respectively.

24
25 Q. Why are these amounts needed to serve customers and have

1 they been previously approved by the Commission?
2

3 A. The property included in PHFFU is for land required to
4 support the growth of Tampa Electric's system. This
5 property includes T&D substation sites and production and
6 transmission right of ways that are necessary investments
7 for providing reliable service in the future.
8

9 Affiliate Transactions

10 Q. FIPUG raised concerns regarding the prudence of Tampa
11 Electric's affiliate transactions. Has this Commission
12 recently audited the affiliate transactions for Tampa
13 Electric?
14

15 A. Yes. As recently as 1997, the Commission Staff completed
16 a thorough audit of Tampa Electric's affiliate
17 transactions. The findings from that audit were
18 incorporated into the Staff audit disclosures in Docket
19 No. 950379-EI and in Docket No. 980001-EI. Subsequent to
20 these disclosures, the company agreed to make changes in
21 affiliate allocations, which were incorporated by Staff
22 in the calculation of deferred revenues in 1997 and 1998.
23

24 Q. What areas did the Commission's audit address?
25

1 A. The Commission's audit considered the activities as
2 reported annually to this Commission in the *Analysis of*
3 *Diversification Activity: Summary of Affiliated Transfers*
4 *and Cost Allocations* report. The audit determined the
5 type and amount of charges from Tampa Electric to its
6 affiliates, including TECO Energy and vice versa. The
7 audit examined direct, allocable and non-allocable
8 charges.

9
10 Q. Did the audit review the methods the company uses to
11 allocate costs between it and its affiliates?

12
13 A. Yes. The audit determined the types and amount of
14 charges from the company to its affiliates. It
15 determined the basis of allocation and cost drivers for
16 allocated charges and verified Tampa Electric's method of
17 charging direct costs to its affiliates as well as traced
18 allocations through various accounting records.
19 Additionally, the audit examined direct, allocable and
20 non-allocable expenses of the parent company. The audit
21 obtained and tested the methodologies used to charge and
22 allocate costs to the company from its parent.

23
24 Q. What was the result of the audit?

25

1 A. Several minor findings were incorporated into the Staff's
2 earnings calculations in this docket with one issue
3 resolved in Docket No. 980001-EI. According to the
4 Auditor Report of Tampa Electric Company's Affiliated
5 Transactions (Audit Control #98-082-2-1), dated October
6 8, 1998, the company's affiliate transactions appear to
7 be reasonable, accurate and in conformity with prescribed
8 practices:

9
10 In our opinion, the schedules and transactions
11 referred to above present fairly, in all material
12 respects, the utility's books and records,
13 maintained in conformity with the accounting
14 practices prescribed by the Florida Public Service
15 Commission.

16
17 Polk Unit One

18 Q. In its protest, FIPUG raised concerns that no
19 verification has been made to ensure that the amount for
20 Polk Unit One is not in excess of the stipulated amount.
21 Could you please address this issue?

22
23 A. Yes. The Stipulation states that the actual final
24 capital cost of the Polk Power Station project shall be
25 included in Tampa Electric's rate base for all regulatory

1 purposes up to an amount equal to one percent above the
2 capital cost estimate of \$506,165,000 which amounts to
3 \$511.2 million. The final capital cost of the Polk Power
4 Station project placed in service was \$509.9 million and
5 was within the amount referenced in the Stipulation.
6 This includes all final billings and accruals related to
7 placing the Polk Power Station into commercial operation.
8

9 Q. Please summarize your testimony.

10
11 A. Tampa Electric's capital expenditures during 1997 and
12 1998 were necessary to maintain the company's above
13 average reliability on its transmission and distribution
14 systems to meet the needs of a fast growing customer base
15 and provide appropriate maintenance on its generating
16 units. The company also has been able to keep average
17 recurring capital spending during the deferred revenue
18 period lower than during the prior years.

19
20 The level of CWIP and PHFFU in rate base in 1997 and 1998
21 was reasonable and necessary to continue providing
22 reliable electric service to customers. These costs were
23 for projects and property that are readily identifiable
24 and have been carefully reviewed by the Commission in
25 this docket and in other proceedings. Also, affiliate

1 transactions included in the deferred revenue calculation
2 were appropriate for 1997 and 1998.

3 Finally, Tampa Electric has correctly placed the Polk
4 Power Station project into rate base below the \$506.165
5 million plus one percent that was agreed upon in the
6 Stipulation. The final capital cost for the Polk Power
7 Station project was \$509.9 million after final billings
8 and accruals and therefore was within the amount
9 referenced in the Stipulation.

10
11 In evaluating the merit of FIPUG's protest, three factors
12 should be considered. First, the facts and evidence that
13 Tampa Electric has presented here; second, the
14 conclusions of the Commission Staff's audits and
15 recommendations; and finally, this Commission's
16 discussions and decisions made at the agenda conferences
17 and included in Order Nos. 99-1940-PAA-EI and 99-2007-
18 PAA-EI. In light of these factors, the Commission's
19 decisions on the company's earnings calculations included
20 in these orders were appropriate and should stand.

21
22 Q. Does this conclude your testimony?

23
24 A. Yes, it does.

25