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October 24, 2002

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

Re: Fuel and Purchased Power Cost Recovery Clause with Generating Performance
Incentive Factor; FPSC Docket No. 020001-EI

Dear Ms. Bayo:

Enclosed for filing in the above docket are the original ten (10) copies of Tampa Electric
Company's Rebuttal Testimony of J. Denise Jordan.

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

JDB/pp
Enclosure

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

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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 020001-EI

IN RE: FUEL & PURCHASED POWER COST RECOVERY

AND

CAPACITY COST RECOVERY

PROJECTIONS

JANUARY 2003 THROUGH DECEMBER 2003

REBUTTAL TESTIMONY

OF

J. DENISE JORDAN

DOCUMENT NUMBER

11668 OCT 29 2003

FPSC-COMMISSION CLERK

1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2 PREPARED REBUTTAL TESTIMONY

3 OF

4 J. DENISE JORDAN

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

7
8 **A.** My name is J. Denise Jordan. My business address is 702
9 North Franklin Street, Tampa, Florida 33602. I am
10 employed by Tampa Electric Company ("Tampa Electric" or
11 "company") as Director, Rates and Planning in the
12 Regulatory Affairs Department.

13
14 **Q.** Are you the same Denise Jordan who submitted Prepared
15 Direct Testimony in this proceeding.

16
17 **A.** Yes, I am.

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

20
21 **A.** The purpose of my rebuttal testimony is to address
22 certain deficiencies in the direct testimony of Mr.
23 Matthew Brinkley, testifying on behalf of the Florida
24 Public Service Commission Staff.

1 Q. Please address Mr. Brinkley's concern about offsetting
2 expenses proposed for recovery through the fuel and
3 purchased power cost recovery clause ("fuel clause") with
4 base rate benefits associated with those expenses.

5
6 A. Mr. Brinkley states that offsetting is necessary to guard
7 against double recovery. Mr. Brinkley's offsetting
8 analysis could mire the Commission and the parties in
9 continuous disputes when the focus ought to be on whether
10 the expense for which cost recovery is sought is truly
11 incremental. Certainly the additional security alert
12 expenses Tampa Electric has incurred and will continue to
13 incur as a result of the September 11 attacks are
14 incremental. In my direct testimony I addressed the
15 variable and previously unanticipated nature of the
16 security alert costs that make them appropriate for
17 recovery through the fuel clause. While Mr. Brinkley
18 states that base rate benefits associated with expenses
19 proposed for recovery through the fuel clause should be
20 "offset," he has not identified any base rate benefits
21 associated with the incremental security costs Tampa
22 Electric is proposing for cost recovery. The incremental
23 and extraordinary expenses Tampa Electric is incurring as
24 a result of the September 11 attacks do not effect double
25 recovery since no one could have anticipated the attacks

1 of September 11 and the incremental costs resulting from
2 those attacks when its base rates were last set.
3 Therefore no "offsetting" is necessary to ensure against
4 double recovery.

5
6 Q. Do you agree with Mr. Brinkley's suggestion on pages 4
7 and 5 of his testimony that expenses from a base year
8 used for comparison purposes need to be grossed up by the
9 growth rate in energy sold since the base year?

10
11 A. No, I do not. There is no necessary correlation between
12 the growth rate in energy sales and the level of expenses
13 incorporated into base rates. If anything, a utility
14 will attempt to reduce expenses over time following a
15 base year in order to avoid having to initiate a base
16 rate proceeding to adjust for inflation and attrition.

17
18 Q. Do you believe Mr. Brinkley's approach is consistent with
19 Order No. 14546 in Docket No. 850001-EI-B, referred to on
20 page 5 of Mr. Brinkley's testimony?

21
22 A. No, I do not. I believe his approach is inconsistent
23 with that order. I also believe that the incremental
24 post-September 11 increased security costs Tampa Electric
25 has incurred are exactly the type of expense Order No.

1 14546 indicates should be recovered. They are clearly
2 costs that were not recognized or anticipated in the cost
3 levels used to determine current base rates and they are
4 costs which, if expended, are likely to result in fuel
5 savings to customers. This squarely meets the cost
6 recovery qualifications in the referenced order.
7

8 Q. Do you believe that post-September 11 incremental
9 security costs are ". . . simply previously unanticipated
10 expenses which are being expended to protect against
11 future base rate expenses, not to reduce current or
12 future expenses which are recoverable through the fuel
13 clause. . . ," as Mr. Brinkley states at page 6 of this
14 testimony?
15

16 A No, I do not. If a power plant were disabled or
17 destroyed by a terrorist act, the utility would have to
18 replace the generating capacity. However, it is doubtful
19 that the Commission would allow the destroyed plant and
20 the new plant to be simultaneously included in rate base.
21 In the interim, while the new plant is being constructed,
22 the utility would have to serve its customers with
23 higher-cost replacement power. The resulting higher-cost
24 replacement power is the very expense that the
25 incremental security activity is designed to protect

1 against.

2
3 **Q.** Please address Mr. Brinkley's suggestion that incremental
4 security costs incurred subsequent to the September 11
5 attacks be moved into base rates by the end of 2005.

6
7 **A.** I do not believe it would be appropriate for the
8 Commission to arbitrarily choose a future date for any
9 such conversion from recovery through the fuel clause to
10 base rate recovery. The key goal, instead, should be to
11 ensure that any incremental security costs are, indeed,
12 incremental , i.e., are not being recovered through base
13 rates and a cost recovery mechanism. This can be
14 accomplished without mandating a future conversion to
15 base rate recovery. This Commission has recently found
16 that capitalized items currently approved for recovery
17 through the environmental cost recovery clause (ECRC)
18 need not be included in base rates. In that base rate
19 proceeding, the Commission concluded that no benefits to
20 customers had been shown by including such costs in base
21 rates and that the impact on customers is essentially the
22 same whether the costs are recovered through base rates
23 or through the ECRC. The same can be said about
24 incremental post-September 11 security costs. The
25 Commission should not attempt to tie the hands of future

1 Commissioners by adopting an arbitrary conversion date.

2
3 **Q.** Do you believe the Commission should authorize Tampa
4 Electric to recover through the fuel and purchased power
5 cost recovery clause expenditures of \$1,204,598 for
6 incremental 2001, 2002 and 2003 operation and maintenance
7 expenses associated with post-September 11, 2001 security
8 costs?

9
10 **A.** Yes. These costs were unanticipated prior to September
11 11, 2001 and are incremental in the true sense of the
12 word. In Order No PSC-01-2516-FOF-EI the Commission
13 approved for recovery through the fuel adjustment clause
14 post-September 11 increased security costs on the grounds
15 that they (a) were incremental; (b) have a nexus to fuel
16 cost savings from continued operation of generation
17 facilities; and (c) are potentially volatile. In
18 addition, the Commission found that the fuel adjustment
19 true-up mechanism ensures that ratepayers pay no more
20 than the actual costs incurred and that allowing recovery
21 through the fuel clause of these charges provides a good
22 match between the timing of the occurrence and the
23 recovery of the cost. The Commission concluded that
24 allowing recovery of these expenses through the fuel
25 clause gives utilities appropriate encouragement to

1 protect their generation assets. These grounds fully
2 support Tampa Electric's proposed cost recovery of its
3 incremental post-September 11 security costs.

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Q. Does this conclude your rebuttal testimony?

A. Yes it does.