

State of Florida



Public Service Commission

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DATE: November 18, 2004

TO: Director, Division of the Commission Clerk & Administrative Services (Bayó)

FROM: Office of the General Counsel (Bellak) *REC JS*
Division of Economic Regulation (Slemkewicz) *JS*

RE: Docket No. 041172-EI – Petition for declaratory statement regarding appropriate accounting treatment to be followed to record and recover prudently incurred storm damage costs that exceed Company's storm reserve balance, by Tampa Electric Company.

AGENDA: 11/30/04 – Regular Agenda – Decision on Declaratory Statement – Parties May Participate at Commission's Discretion

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\GCL\WP\041172.RCM.DOC

Case Background

On October 1, 2004, Tampa Electric Company (Tampa Electric or Petitioner) filed a petition for declaratory statement (Petition) pursuant to Section 120.565, Florida Statutes and Chapter 28-105, Florida Administrative Code. Petitioner sought a declaratory statement regarding the appropriate accounting treatment for Tampa Electric to follow in order to record and recover prudently incurred storm damage costs that exceed the company's storm reserve balance.

In its Petition, Tampa Electric noted that the Commission had considered this issue in three previous dockets concerning, respectively, Gulf Power Company (Docket No. 951433-EI), Progress Energy Florida, Inc. (Docket No. 041085-EI) and Florida Power & Light Company (FPL) (Docket No. 041057-EI). Tampa Electric also noted that the storm related costs associated with Hurricanes Charley, Frances and Jeanne will cause Tampa Electric to incur costs that

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exceed the Storm Damage Reserve (approximately \$42.7 million) the company had accrued prior to those storms. Petition, p. 1-3.

Petitioner interprets the Commission's actions in the Progress Energy and FPL dockets as determining that utilities should record prudently incurred storm damage costs in Account No. 228.1, Accumulated Provision for Property Insurance, as required by Rules 25-6.0143(1) and 25-6.0143(4)(b), Florida Administrative Code, and that after the actual amounts of the costs or estimates subject to true-up are known, utilities may then file petitions seeking an alternative accounting treatment for recovery of prudently incurred damage costs that exceed their storm reserve balances. Those petitions will, in turn, be subject to Commission review and approval when filed, prior to which the companies should continue to book amounts consistent with current accounting practice. Tampa Electric interprets the Commission's action in the Gulf Power docket as approving the recovery of prudently incurred storm preparation and restoration costs. Petition, p. 4-5.

The purpose of this Petition is to resolve any uncertainty about the application of the storm damage accounting practices and cost recovery process described above to Tampa Electric in its particular set of circumstances. Tampa Electric sets out the statement which it believes would alleviate that uncertainty and asks that the Commission issue it substantially as set forth in its Petition. Petition, p. 5-6.

Substantially the same statement, with minor changes by staff in order to track as closely as possible the final orders subsequently issued in the Progress Energy (Order No. PSC-04-0977-PAA-EI) and FPL (Order No. PSC-04-0976-PAA-EI) dockets, is as follows:¹

Tampa Electric Company should record prudently incurred storm damage costs in Account No. 228.1, Accumulated Provision for Property Insurance, as required by Rules 25-6.0143(1) and 25-6.0143 (4)(b), Florida Administrative Code. In accordance with the Commission's prior treatment of expenses related to individual utility self-insurance mechanisms, the Commission retains the right to review Tampa Electric Company's charges to Account No. 228.1, at any time, for reasonableness and prudence and to disallow any that are found to be inappropriate. Thus Tampa Electric Company should continue to book amounts consistent with its current accounting practice. In the event that a subsequent petition for recovery of storm-related damages is filed, the costs will be subject to our review and approval. This treatment is intended to be consistent with that approved for Florida Power & Light Company in Docket No. 041057-EI, Order No. PSC-04-0976-PAA-EI, issued October 8, 2004, and for Progress Energy Florida, Inc. in Docket No. 041085-EI, Order No. PSC-04-0977-PAA-EI, issued October 7, 2004, addressing the 2004 hurricane related costs that are expected to exceed their reserve balances.

¹ Tampa Electric has reviewed the changes and does not object to them.

Discussion of Issues

Issue 1: Should the Commission issue the declaratory statement sought by Tampa Electric?

Recommendation: Yes, the Commission should issue the requested declaratory statement (as edited by staff for consistency with the Commission's orders issued in prior dockets).

Staff Analysis: The declaratory statement sought by Tampa Electric is consistent with the orders previously issued by the Commission in its prior consideration of the same issues in the dockets and orders previously cited. Issuance of the declaratory statement would alleviate any uncertainty that the same accounting practices and cost recovery process described in those dockets and orders also apply to Tampa Electric with respect to its storm related costs in excess of its Storm Damage Reserve balance.

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Issue 2: Should this docket be closed?

Recommendation: Yes. The docket should be closed upon issuance of the order.

Staff Analysis: If the Commission votes to issue a declaratory statement and the order is issued, the docket may be closed.

RCB