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COMMISSION
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February 20, 2007

HAND DELIVERED

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

Re: Petition for approval of new environmental program for cost recovery
through Environmental Cost Recovery Clause by Tampa Electric Company;
Docket No. 050958-EI

Dear Ms. Bayo:

Enclosed for filing in the above docket, on behalf of Tampa Electric Company, are the
original and fifteen (15) copies of each of the following:

- 1. Rebuttal Testimony of Howard T. Bryant 01653-07
- 2. Rebuttal Testimony of Laura R. Crouch 01654-07
- 3. Rebuttal Testimony and Exhibit (JVS-2) of John V. Smolenski 01655-07

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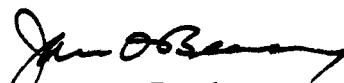
SEC _____

OTH _____

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

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on
FPSC-BUREAU OF RECORDS

JDB/pp
Enclosure

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

DOCUMENT NUMBER-DATE

01653 FEB 20 5

FPSC-COMMISSION CLERK

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Rebuttal Testimony, filed on behalf of Tampa Electric Company, has been furnished by U. S. Mail or hand delivery (*) on this 20th day of February, 2007 to the following:

Martha Carter Brown*
Office of General Counsel
Florida Public Service Commission
Room 370N – Gerald L. Gunter Building
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Mr. Myron Rollins
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Ms. Patricia A. Christensen*
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111 West Madison Street, Room 812
Tallahassee, FL 32399-1400



ATTORNEY



BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 050958-EI
IN RE: Petition for Approval of New
Environmental Program for Cost Recovery
through Environmental Cost Recovery Clause
REBUTTAL TESTIMONY
OF
HOWARD T. BRYANT

1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2 PREPARED REBUTTAL TESTIMONY

3 OF

4 HOWARD T. BRYANT

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

7
8 A. My name is Howard T. Bryant. 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 Manager, Rates in the Regulatory Affairs
12 Department.

13
14 Q. Are you the same Howard Bryant 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 in this
20 proceeding?

21
22 A. The purpose of my rebuttal testimony is to address
23 certain inaccuracies in the assertions of the testimony
24 of Ms. Patricia W. Merchant, testifying on behalf of the
25 Office of Public Council ("OPC").

1 Q. Have you prepared any exhibits to support your testimony?

2

3 A. No.

4

5 Q. Please address your overall assessment of Ms. Merchant's
6 testimony.

7

8 A. Ms. Merchant clearly recognizes a utility regulated by
9 the Florida Public Service Commission ("Commission") has
10 two primary rate recovery mechanisms, namely, base rates
11 and specific cost recovery clauses established by Florida
12 Statutes or Commission order. Additionally, Ms. Merchant
13 demonstrates knowledge of the various components of base
14 rates and the acceptable steps available to a utility in
15 the event a utility's base rates require an adjustment
16 for over- or under-earnings. However, Ms. Merchant's
17 characterization that cost recovery clauses "...provide
18 guaranteed rate recovery of the specific costs identified
19 for inclusion" is inaccurate. Ms. Merchant's further
20 assertion that cost recovery clauses "...create an
21 incentive for the utility to request recovery of normal
22 base rate type costs through a clause" is also incorrect.

23

24 My rebuttal testimony will demonstrate the Commission has
25 clearly established the rules for cost recovery through

1 clauses and instituted an annual audit process that
2 precludes a utility from gaming rate recovery mechanisms.
3 In addition, I will discuss an internal process employed
4 by Tampa Electric to maintain a commitment of integrity
5 toward the costs the company seeks to recover through the
6 various clauses.

7
8 Q. On pages 6 and 7 of her testimony, Ms. Merchant claims
9 that the Fuel and Purchased Power Cost Recovery Clause
10 ("Fuel Clause"), the Energy Conservation Cost Recovery
11 ("ECCR") Clause and the Environmental Cost Recovery
12 Clause ("ECRC") "...provide guaranteed rate recovery of
13 the specific costs identified for inclusion." How do you
14 respond?

15
16 A. The requirements and utilization of the Fuel Clause were
17 established by the Commission in Order No. 14546, issued
18 July 8, 1985. Rule 25-17.15, F.A.C., governing the use
19 of the ECCR Clause, was established by Order No. 9715,
20 issued December 17, 1980 in response to Section 366.82,
21 Florida Statutes. Finally, the ECRC was established by
22 Section 388.8255, Florida Statutes, and has functioned in
23 accordance with Commission Order No. PSC-94-0044-FOF-EI,
24 issued January 12, 1994. Through these proceedings, the
25 Commission clearly delineated a defined role and useful

1 purpose for each clause; however, the Commission never
2 contemplated or left any hint of opportunity for a
3 utility to expect or be guaranteed rate recovery.
4

5 Since the inceptions of these clauses, the Commission has
6 closely scrutinized the accounting and cost allocations
7 utilities have utilized in each clause. Commission
8 auditors have conducted rigorous semi-annual and annual
9 on-site audits of each clause with the typical audit
10 duration being one to three months. Through the
11 Commission's auditing function, all utilities, including
12 Tampa Electric, have on occasion had costs disallowed for
13 cost recovery through the various clauses.
14

15 In addition to the Commission's rigorous audits, all cost
16 recovery through the Fuel, ECCR and ECRC clauses has been
17 the subject of annual cost recovery hearings, with the
18 active participation of the Commission, its Staff, OPC
19 and various intervenors. All of these parties have
20 availed themselves of vigorous discovery including
21 depositions, requests for production of documents,
22 interrogatories and other measures. To suggest that a
23 utility's ability to recover costs through cost recovery
24 clauses is "guaranteed" clearly ignores all of these
25 considerations which make clear that there are no

1 guarantees. The system has worked well maintaining the
2 intent of the Commission while ensuring fair, just and
3 reasonable rates for customers.
4

5 Q. How do you respond to Ms. Merchant's suggestion on pages
6 7 through 9 that cost recovery clauses create an
7 incentive for a utility to request recovery of normal
8 base rate costs through a clause?
9

10 A. It is simply not true for two reasons. First, the
11 Commission auditing process described above provides a
12 disincentive for a utility to attempt including base rate
13 costs in cost recovery clauses. Any inappropriate costs
14 will be discovered during a Commission audit. This will
15 result in the utility being specifically identified for
16 the impropriety, and no utility wants to be associated
17 with the stigma of attempting to collect base rate costs
18 through any of the cost recovery clauses.
19

20 The second reason cost recovery clauses do not create an
21 incentive for Tampa Electric to request recovery of base
22 rate costs through a clause centers around the company's
23 longstanding penchant to be known and recognized as a
24 company that conducts its business with utmost integrity.
25 To that end, Tampa Electric utilizes an ongoing process

1 to regularly review and ultimately submit accurate
2 filings to the Commission for each of the clauses. The
3 purpose of these reviews is twofold: 1) to validate the
4 appropriateness of costs and their allocations for each
5 recovery clause, and 2) to produce accurate schedules to
6 be filed in a timely manner. This process eliminates an
7 attempt on the company's part to purposefully game the
8 Commission's intended and defined use of cost recovery
9 clauses.

10
11 Q. Please describe any steps Tampa Electric has taken to
12 ensure that there is no double recovery of any costs
13 associated with the Big Bend FGD Reliability Program.

14
15 A. As stated in my Direct Testimony, Tampa Electric was
16 careful in its petition to point out up front that the
17 company anticipates the recovery of costs for this
18 overall environmental program to be generated from three
19 sources; base rates, the already approved Big Bend Units
20 1 and 2 FGD ECRC program, and the new Big Bend FGD System
21 Reliability Program. The company's petition sought
22 approval of recovery, through the ECRC, of only the
23 incremental costs associated with the Big Bend Units 1
24 and 2 FGD Program and the new Big Bend FGD System
25 Reliability Program. Furthermore, the petition seeks

1 only those costs that qualify for cost recovery under the
2 ECRC.

3
4 Therefore, for these reasons, Tampa Electric does not
5 agree with Ms. Merchant's claim that cost recovery
6 clauses provide the company with "...a powerful financial
7 incentive to steer as many costs as possible through
8 recovery clauses."

9
10 Q. Please address Ms. Merchant's testimony where she states
11 on pages 10 and 11 that five of the 13 projects making up
12 the Big Bend FGD System Reliability Program are not
13 appropriate for cost recovery through the ECRC.

14
15 A. One of the five projects Ms. Merchant refers to, the Big
16 Bend Units 3 and 4 Booster Fan Capacity Expansion, was
17 not even proposed by Tampa Electric for ECRC cost
18 recovery, as Ms. Merchant concedes in the footnote on
19 page 10 of her testimony. As I stated earlier, Tampa
20 Electric made it clear in its petition that the company
21 believes the cost of that project should be recovered
22 through base rates. Tampa Electric only referred to the
23 project in its petition because it is one component of
24 the overall Big Bend FGD System Reliability Program and
25 therefore needs to be mentioned as part of a complete

1 description of the program. I definitely disagree with
2 Ms. Merchant's conclusion relative to the four remaining
3 projects listed on page 11 of her testimony which she
4 claims do not qualify for ECRC recovery. She simply
5 relied on the testimony of OPC Witnesses Stamberg and
6 Hewson, the deficiencies of which are discussed in the
7 rebuttal testimony of Tampa Electric witnesses Crouch and
8 Smolenski. Ms. Merchant does not provide any independent
9 substantive testimony regarding the individual projects
10 aside from her reference to the testimony of witnesses
11 Stamberg and Hewson. As is made clear in the direct and
12 rebuttal testimony of Tampa Electric's witnesses, the 13
13 projects incorporated into Tampa Electric Big Bend FGD
14 System Reliability Program would not have been necessary
15 but for the regulatory deadlines of 2010 and 2013 set
16 forth in the Consent Decree. As I stated in my Direct
17 Testimony, these integrated projects fully meet the
18 criteria set forth in Section 366.8255, Florida Statutes
19 as implemented by the Commission in Docket No. 930613-EI,
20 Order No. PSC-94-0044-FOF-EI in that:

- 21 (a) all expenditures will be prudently
22 incurred after April 13, 1993;
- 23 (b) the activities are legally required
24 to comply with a governmentally
25 imposed environmental regulation

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enacted, became effective, or whose effect was triggered after the company's last test year upon which rates are based; and

(c) none of the expenditures are being recovered through some other cost recovery mechanism or through base rates.

Q. Does this conclude your rebuttal testimony?

A. Yes it does.