

From: Mike Twomey [miketwomey@talstar.com]
Sent: Tuesday, December 23, 2008 4:19 PM
To: Filings@psc.state.fl.us
Cc: DAVIS.PHYLLIS; Cecilia Bradley; James Beasley; Jean Hartman; Jennifer Brubaker; John McWhirter; Keino Young; Lee Willis; Martha Brown; Paula Brown; Schef Wright; Vicki K.; Jon Moyle
Subject: Re: 080137-EI AARP Prehearing statement
Attachments: AARP Teco Prehearing Statement December 23, 2008.docx



AARP
ARIN GS

Mike Twomey wrote:

- > **Electronic Filing**
- >
- > **a. Person responsible for this electronic filing:**
- >
- > **Michael B. Twomey**
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- > **miketwomey@talstar.com**
- >
- > **b. Docket No. 080317-EI**
- >
- > **In Re: Petition for rate increase by Tampa Electric Company**
- >
- > **c. Document being filed on behalf of AARP**
- >
- > **d. There are a total of 17 pages.**
- >
- > **e. The document attached for electronic filing is AARP's Prehearing**
- > **Statement.**
- >
- >

DOCUMENT NUMBER-DATE

11865 DEC 23 08

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Tampa Electric Company's)
Petition for an Increase in Base)
Rates and Miscellaneous Service)
Charges)

Docket No. 080317-EI

Filed: December 23, 2008

AARP'S PREHEARING STATEMENT

AARP, by and through its undersigned counsel, pursuant to Order No. PSC-08-0557-PCO-EI, as modified by Order No. 08-0635-PCO-EI, hereby files its Prehearing Statement in the above-referenced docket.

APPEARANCES:

Michael B. Twomey
Post Office Box 5256
Tallahassee, Florida 32314-5256
On behalf of AARP

(1) WITNESSES:

<u>NAME</u>	<u>ISSUES</u>
Stephen A. Stewart	Storm Damage Accrual, Target Storm Reserve

(2) EXHIBITS:

Through Mr. Stewart, AARP intends to introduce the following exhibit:

SAS-1 Qualifications and experience

(3) STATEMENT OF BASIC POSITION:

Tampa Electric Company's ("TECO") requested base rate increase of \$228 million is excessive. As testified to by AARP witness Stephen A. Stewart, the utility's request to increase its Annual Accrual for Storm Damage Reserve from \$4 million to \$20 million, alone, would reduce its requested revenue request by \$16 million. As also testified to by Mr. Stewart, TECO's

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request to increase its target amount for its Storm Damage Reserve from \$55 million to \$120 million should also be denied. AARP agrees with the Office of Public Counsel that the utility's request for a 12% return on equity should be reduced to a more reasonable level of 9.75%, which would reduce its overall rate of return to 7.33%. AARP also agrees with the other reductions testified to by Public Counsel's witnesses, which, including the return on equity reduction, total \$189 million.

(4) ISSUES AND POSITIONS:

TEST PERIOD

Issue 1: Is TECO's projected test period of the 12 months ending December 31, 2009 appropriate?

AARP: No position at this time.

Issue 2: Are TECO's forecasts of Customers, KWH, and KW by Rate Class for the 2009 projected test year appropriate?

AARP: No position at this time.

QUALITY OF SERVICE

Issue 3: Is the quality of electric service provided by TECO adequate?

AARP: No position at this time.

RATE BASE

Issue 4: Has TECO removed all non-utility activities from rate base?

AARP: Same as Office of Public Counsel.

Issue 5: Is the pro forma adjustment related to the annualization of five simple cycle combustion turbine units to be placed in service in 2009 appropriate?

AARP: Same as Office of Public Counsel.

Issue 6: Should an adjustment be made for the credit from CSX for the Big Bend Rail Project?

AARP: Yes.

Issue 7: Is the pro forma adjustment related to the annualization of the Big Bend Rail Project to be placed into service in December 2009 appropriate?

AARP: Same as Office of Public Counsel.

Issue 8: Should any adjustments be made to TECO's projected level of plant in service?

AARP: Same as Office of Public Counsel.

Issue 9: Should TECO's requested increase in plant in service for the customer information system be approved?

AARP: Same as Office of Public Counsel.

Issue 10: Is TECO's requested level of Plant in Service in the amount of \$5,483,474,000 for the 2009 projected test year appropriate?

AARP: Same as Office of Public Counsel.

Issue 11: Is TECO's requested level of accumulated depreciation in the amount of \$1,934,489,000 for the 2009 projected test year appropriate?

AARP: Same as Office of Public Counsel.

Issue 12: Have all costs recovered through the Environmental Cost Recovery Clause been removed from rate base for the 2009 projected test year?

AARP: Same as Office of Public Counsel.

Issue 13: Is TECO's requested level of Construction Work in Progress in the amount of \$101,071,000 for the 2009 projected test year appropriate?

AARP: Same as Office of Public Counsel.

Issue 14: Is TECO's requested level of Property Held for Future Use in the amount of \$37,330,000 for the 2009 projected test year appropriate?

AARP: Same as Office of Public Counsel.

Issue 15: Should an adjustment be made to TECO's requested deferred dredging cost?

AARP: Same as Office of Public Counsel.

Issue 16: Should an adjustment be made to TECO's requested storm damage reserve, annual accrual and target level?

AARP: Yes. TECO's request to increase its annual storm damage accrual from \$4 million to \$20 million should be denied and its operating expense reduced by \$16 million. TECO's experience with storm damages suggests that this level of annual accrual and a targeted reserve of \$55 million should be adequate to cover most expected storms. In the event that larger storm damages are experienced, TECO can immediately file for interim and permanent surcharge relief and expect to be granted such relief given this Commission's recent precedents on the subject. (Stewart)

Issue 17: Should an adjustment be made to prepaid pension expense in TECO's calculation of working capital?

AARP: Same as Office of Public Counsel.

Issue 18: Should an adjustment be made to working capital related to Account 143-Other Accounts Receivable?

AARP: Same as Office of Public Counsel.

Issue 19: Should an adjustment be made to working capital related to Account 146-Accounts Receivable from Associated Companies?

AARP: Same as Office of Public Counsel.

Issue 20: Should an adjustment be made to rate base for unfunded Other Post-retirement Employee Benefit (OPEB) liability?

AARP: Same as Office of Public Counsel.

Issue 21: Should an adjustment be made to TECO's coal inventories?

AARP: Same as Office of Public Counsel.

Issue 22: Should an adjustment be made to TECO's residual oil inventories?

AARP: Same as Office of Public Counsel.

Issue 23: Should an adjustment be made to TECO's distillate oil inventories?

AARP: Same as Office of Public Counsel.

Issue 24: Should an adjustment be made to TECO's natural gas and propane inventories?

AARP: Same as Office of Public Counsel.

Issue 25: Has TECO properly reflected the net overrecoveries or net underrecoveries of fuel and conservation expenses in its calculation of working capital?

AARP: Same as Office of Public Counsel.

Issue 26: Should unamortized rate case expense be included in Working Capital?

AARP: Same as Office of Public Counsel.

Issue 27: Is TECO's requested level of Working Capital in the amount of (\$30,586,000) for the 2009 projected test year appropriate?

AARP: Same as Office of Public Counsel.

Issue 28: Is TECO's requested rate base in the amount of \$3,656,800,000 for the 2009 projected test year appropriate?

AARP: Same as Office of Public Counsel.

COST OF CAPITAL

Issue 29: What is the appropriate amount of accumulated deferred taxes to include in the capital structure for the 2009 projected test year?

AARP: Same as Office of Public Counsel.

Issue 30: What is the appropriate amount and cost rate of the unamortized investment tax credits to include in the capital structure for the 2009 projected test year?

AARP: Same as Office of Public Counsel.

Issue 31: What is the appropriate amount and cost rate for short-term debt for the 2009 projected test year?

AARP: Same as Office of Public Counsel.

Issue 32: Should the TECO's requested pro forma adjustment to equity to offset off-balance sheet purchased power obligations be approved?

AARP: Same as Office of Public Counsel.

Issue 33: What is the appropriate amount and cost rate for long-term debt for the 2009 projected test year?

AARP: Same as Office of Public Counsel.

Issue 34: What is the appropriate capital structure for the 2009 projected test year?

AARP: Same as Office of Public Counsel.

Issue 35: Does TECO's requested return on common equity appropriately consider current economic conditions? [FIPUG Issue]

AARP: Same as Office of Public Counsel.

Issue 36: Does TECO's requested return on common equity appropriately consider its recovery of funds via the Commission's various cost recovery clauses? [FIPUG Issue]

AARP: Same as Office of Public Counsel.

Issue 37: What is the appropriate return on common equity for the 2009 projected test year?

AARP: Same as Office of Public Counsel.

Issue 38: What is the appropriate weighted average cost of capital for the 2009 projected test year?

AARP: Same as Office of Public Counsel.

NET OPERATING INCOME

Issue 39: Is TECO's projected level of Total Operating Revenues in the amount of \$865,359,000 for the 2009 projected test year appropriate?

AARP: Same as Office of Public Counsel.

Issue 40: What are the appropriate inflation factors for use in forecasting the test year budget?

AARP: Same as Office of Public Counsel.

Issue 41: Is TECO's requested level of O&M Expense in the amount of \$370,934,000 for the 2009 projected test year appropriate?

AARP: Same as Office of Public Counsel.

Issue 42: Has TECO made the appropriate test year adjustments to remove fuel and purchased power revenues and expenses recoverable through the Fuel and Purchased Power Cost Recovery Clause?

AARP: Same as Office of Public Counsel.

Issue 43: Has TECO made the appropriate test year adjustments to remove conservation revenues and expenses recoverable through the Conservation Cost Recovery Clause?

AARP: Same as Office of Public Counsel.

Issue 44: Has TECO made the appropriate test year adjustments to remove capacity revenues and expenses recoverable through the Capacity Cost Recovery Clause?

AARP: Same as Office of Public Counsel.

Issue 45: Has TECO made the appropriate test year adjustments to remove environmental revenues and expenses recoverable through the Environmental Cost Recovery Clause?

AARP: Same as Office of Public Counsel.

Issue 46: Should an adjustment be made to advertising expenses for the 2009 projected test year?

AARP: Same as Office of Public Counsel.

Issue 47: Has TECO made the appropriate adjustments to remove lobbying expenses from the 2009 projected test year?

AARP: Same as Office of Public Counsel.

Issue 48: Should an adjustment be made to TECO's requested level of Salaries and Employee Benefits for the 2009 projected test year?

AARP: Same as Office of Public Counsel.

- Issue 49:** Should an adjustment be made to Other Post Employment Benefits Expense for the 2009 projected test year?
- AARP:** Same as Office of Public Counsel.
- Issue 50:** Should operating expense be reduced to take into account budgeted positions that will be vacant?
- AARP:** Same as Office of Public Counsel.
- Issue 51:** Should operating expense be reduced to take into account TECO's initiatives to improve service reliability?
- AARP:** Same as Office of Public Counsel.
- Issue 52:** Should operating expense be reduced to remove the cost of TECO's incentive compensation plan?
- AARP:** Same as Office of Public Counsel.
- Issue 53:** Should operating expense be reduced to take into account new generating units added that are maintained under contractual service agreements?
- AARP:** Same as Office of Public Counsel.
- Issue 54:** Should an adjustment be made to TECO's generation maintenance expense?
- AARP:** Same as Office of Public Counsel.
- Issue 55:** Should an adjustment be made to TECO's substation preventive maintenance expense?
- AARP:** Same as Office of Public Counsel.
- Issue 56:** Should an adjustment be made to TECO's request for Dredging expense?
- AARP:** Same as Office of Public Counsel.
- Issue 57:** Should an adjustment be made to TECO's Economic Development Expense?
- AARP:** Same as Office of Public Counsel.

Issue 58: Should an adjustment be made to Pension Expense for the 2009 projected test year?

AARP: Same as Office of Public Counsel.

Issue 59: Should an adjustment be made to the accrual for property damage for the 2009 projected test year?

AARP: Same as Office of Public Counsel.

Issue 60: Should an adjustment be made to the accrual for the Injuries & Damages reserve for the 2009 projected test year?

AARP: Same as Office of Public Counsel.

Issue 61: Should an adjustment be made to remove TECO's requested Director's & Officer's Liability Insurance expense?

AARP: Same as Office of Public Counsel.

Issue 62: Should an adjustment be made to reduce meter expense (Account 586) and meter reading expense (Account 902)?

AARP: Same as Office of Public Counsel.

Issue 63: What is the appropriate amount and amortization period for TECO's rate case expense for the 2009 projected test year?

AARP: Same as Office of Public Counsel.

Issue 64: Should an adjustment be made to Bad Debt Expense for the 2009 projected test year?

AARP: Same as Office of Public Counsel.

Issue 65: Should an adjustment be made to Office supplies and expenses for the 2009 projected test year?

AARP: Same as Office of Public Counsel.

Issue 66: Should an adjustment be made to reduce TECO's tree trimming expense for the 2009 projected test year?

AARP: Same as Office of Public Counsel.

Issue 67: Should an adjustment be made to reduce TECO's pole inspection expense for the 2009 projected test year?

AARP: Same as Office of Public Counsel.

Issue 68: Should an adjustment be made to reduce TECO's transmission inspection expense for the 2009 projected test year?

AARP: Same as Office of Public Counsel.

Issue 69: Should an adjustment be made to O&M expenses to normalize the number of outages TECO has included in the 2009 projected test year?

AARP: Same as Office of Public Counsel.

Issue 70: Is the pro forma adjustment related to amortization of CIS costs associated with required rate case modifications appropriate?

AARP: Same as Office of Public Counsel.

Issue 71: Is the pro forma adjustment related to the annualization of five simple cycle combustion turbine units to be placed in service in 2009 appropriate?

AARP: Same as Office of Public Counsel.

Issue 72: Is the pro forma adjustment related to the annualization of rail facilities to be placed in service in 2009 appropriate?

AARP: Same as Office of Public Counsel.

Issue 73: Should any adjustments be made to the 2009 test year depreciation expense to reflect the depreciation rates approved by the Commission in Docket No. 070284-EI?

AARP: Same as Office of Public Counsel. Yes.

Issue 74: What is the appropriate amount of Depreciation Expense for the 2009 projected test year?

AARP: No position at this time.

Issue 75: Should an adjustment be made to Taxes Other Than Income Taxes for the 2009 projected test year?

AARP: Same as Office of Public Counsel.

Issue 76: Is it appropriate to make a parent debt adjustment as per Rule 25-14.004, Florida Administrative Code?

AARP: Same as Office of Public Counsel.

Issue 77: Should an adjustment be made to Income Tax expense for the 2009 projected test year?

AARP: Same as Office of Public Counsel.

Issue 78: Is TECO's projected Net Operating Income in the amount of \$182,970,000 for the 2009 projected test year appropriate?

AARP: Same as Office of Public Counsel.

REVENUE REQUIREMENTS

Issue 79: What is the appropriate 2009 projected test year net operating income multiplier for TECO?

AARP: No position at this time.

Issue 80: Is TECO's requested annual operating revenue increase of \$228,167,000 for the 2009 projected test year appropriate?

AARP: No. Same as Office of Public Counsel.

RATE ISSUES

Issue 81: Did the utility correctly calculate the projected revenues at existing rates?

AARP: No position at this time.

Issue 82: Is TECO's proposed Jurisdictional Separation Study appropriate?

- AARP:** No position at this time.
- Issue 83:** What is the appropriate retail Cost of Service methodology to be used to allocate base rate and cost recovery costs to rate classes?
- AARP:** The 12 Coincident Peak and 25 Percent Average Demand methodology proposed by TECO.
- Issue 84:** Should the investment and expenses related to the Polk Unit 1 gasifier and the environmental costs of the Big Bend Unit scrubber be classified as energy or demand?
- AARP:** Energy.
- Issue 85:** Is TECO's calculation of unbilled revenues correct?
- AARP:** No position at this time.
- Issue 86:** What is the appropriate allocation of any change in revenue requirements?
- AARP:** Through the 12 Coincident Peak and 25 Percent Average Demand methodology as proposed by TECO.
- Issue 87:** Should the interruptible rate schedules IS-1, IS-3, IST-1, IST-3, SBI-1 and SBI-3 be eliminated? If so, how should rates for customers currently taking service on interruptible rate schedules be designed, including whether a credit approach is appropriate, and if so, how such an approach should be implemented?
- AARP:** No position at this time.
- Issue 88:** Should the GSD, GSLD and IS rate schedules be combined under a single GSD rate schedule?
- AARP:** No position at this time.
- Issue 89:** Is the change in the breakpoint from 49 kW to 9,000 kWh between the GS and GSD rate schedules appropriate?
- AARP:** No position at this time.
- Issue 90:** What is the appropriate meter level discount to be applied for billing, and to what billing charges should that discount be applied?
- AARP:** No position at this time.

- Issue 91:** Should an inverted base energy rate be approved for the RS rate schedule?
- AARP:** Yes.
- Issue 92:** Should the existing RST rate schedule be eliminated and the customers currently taking service under the schedule be transferred to service under the RS or RSVP rate schedule?
- AARP:** No position at this time.
- Issue 93:** Should TECO's proposed single lighting schedule, and associated charges, terms, and conditions be approved?
- AARP:** No position at this time.
- Issue 94:** Are the two new convenience service connection options and associated connection charges appropriate?
- AARP:** No position at this time.
- Issue 95:** Are TECO's proposed Reconnect after Disconnect charges at the point of metering and at a point distant from the meter appropriate?
- AARP:** No position at this time.
- Issue 96:** Is the proposed new meter tampering charge appropriate?
- AARP:** No position at this time.
- Issue 97:** Is the proposed new \$5 minimum late payment charge appropriate?
- AARP:** No position at this time.
- Issue 98:** What are the appropriate service charges (initial connection, normal reconnect subsequent subscriber, field credit visit, return check)?
- AARP:** No position at this time.
- Issue 99:** What is the appropriate temporary service charge?
- AARP:** No position at this time.

- Issue 100:** What are the appropriate customer charges?
- AARP:** No position at this time.
- Issue 101:** What are the appropriate demand charges?
- AARP:** No position at this time.
- Issue 102:** What are the appropriate Standby Service charges?
- AARP:** No position at this time.
- Issue 103:** Is TECO's proposed change in the application of the transformer ownership discount appropriate?
- AARP:** No position at this time.
- Issue 104:** What is the appropriate transformer ownership discount to be applied for billing?
- AARP:** No position at this time.
- Issue 105:** What are the appropriate emergency relay service charges?
- AARP:** No position at this time.
- Issue 106:** What are the appropriate contributions in aid for time of use rate customers opting to make a lump sum payment for a time-of-use meter in lieu of a higher time-of-use customer charge?
- AARP:** No position at this time.
- Issue 107:** What are the appropriate energy charges?
- AARP:** No position at this time.
- Issue 108:** What changes in allocation and rate design should be made to TECO's rates established in Docket Nos. 080001-EI, 080002-EG, and 080007-EI to recognize the decisions in various cost of service rate design issues in this docket?
- AARP:** No position at this time.

Issue 109: What are the appropriate monthly rental factor and termination factors to be approved for the Facilities Rental Agreement, Appendix A?

AARP: No position at this time.

Issue 110: Is it appropriate to establish a customer specific rate schedule for county (K-12) public schools in this proceeding?

AARP: No position at this time.

Issue 111: What is the appropriate effective date for the rates and charges established in this proceeding?

AARP: No position at this time.

OTHER ISSUES

Issue 112: Should TECO's request to establish a Transmission Base Rate Adjustment mechanism be approved?

AARP: No. Same as Office of Public Counsel.

Issue 113: Should TECO be required to file, within 90 days after the date of the final order in this docket, a description of all entries or adjustments to its annual report, rate of return reports, and books and records which will be required as a result of the Commission's findings in this rate case?

AARP: Yes. Same as Office of Public Counsel.

Issue 114: Should this docket be closed?

AARP: No at this time.

(5) STIPULATED ISSUES:

AARP is not aware of any stipulated issues at this time.

(6) PENDING MOTIONS

AARP is not aware of any pending motions at this time.

(7) PENDING CONFIDENTIALITY CLAIMS OR REQUESTS

AARP is not aware of any confidentiality issues at this time.

(8) COMPLIANCE WITH ORDER NO. PSC-08-0557-PCO-EI, AS MODIFIED BY ORDER NO. PSC-08-0635-PCO-EI

AARP is not aware of any requirements of Order No. PSC-08-0557- PCO-EI, as modified by Order No. PSC-08-0635-PCO-EI, with which parties cannot comply.

(9) OBJECTIONS TO WITNESS'S QUALIFICATIONS

To the extent that opinion testimony has been offered in prefiled testimony, AARP makes no objection to the qualifications of the witness to render that opinion.

Respectfully submitted,

/s/ Michael B. Twomey
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Attorney for AARP

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Notice of Service has been served by electronic mail this 23rd day of December, 2008 on the following:

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