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From: Mike Twomey [miketwomey@talstar.com]  
Sent: Tuesday, February 17, 2009 4:43 PM  
To: Filings@psc.state.fl.us  
Subject: Docket 080317-EI, AARP Post-Hearing Statement

Attachments: AARP Teco post-hearing statement February 17. 2009.doc



AARP Teco  
:hearing statem

a. Person responsible for this electronic filing:

Michael B. Twomey  
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b. Docket No. 080317-EI

Re: Petition for rate increase by Tampa Electric Company

c. Document being filed on behalf of AARP

d. There are a total of 8 pages.

e. The document attached for electronic filing is the AARP's Post-Hearing Statement

Thank you for your attention and cooperation to this request.

Mike Twomey

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Tampa  
Electric Company.

DOCKET NO. 080317-EI

FILED: February 17, 2009

**AARP'S POST-HEARING STATEMENT**

AARP, through its undersigned counsel, submits its post-hearing statement. For the majority of issues identified in this case AARP continues to adopt the positions stated by the Office of Public Counsel ("Public Counsel") as well as Public Counsel's post-hearing briefing on those issues. AARP will, however, state specific positions and brief those positions on other issues where it either has a different position than that taken by Public Counsel or where AARP wishes to separately brief the issue. Except for those issues for which AARP has stated a position below, AARP's position for all other issues is "Same as Office of Public Counsel." AARP also adopts Public Counsel's briefing on all the issues that AARP has taken the position "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 annual storm damage accrual should remain at \$4 million and not be increased to \$20 million, saving \$16 million of operating expense. If excess storm damages are experienced, TECO can seek recovery through a surcharge or securitization. \* (Stewart)

As part of its requested \$228 million annual revenue increase in this case Teco is asking that it be allowed to increase its annual storm damage accrual from the current level of \$4 million to \$20 million, which necessarily would increase operating expense and customer-supplied revenues by \$16 million a year. Teco is also asking that its targeted reserve for storm damage be increased from the current level of \$55 million to \$120 million. AARP's position is

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that Teco's current annual accrual and targeted reserve have proven adequate historically to deal with storms hitting its service territory and that the Commission should maintain these levels. Should Teco experience storm costs in excess of the reserve then it can either seek recovery through a surcharge on rates or through securitization. The increases sought by Teco are unnecessary and should be denied, especially during this time of unprecedented financial and economic turmoil.

Both AARP witness Stephen Stewart and Public Counsel witness Hugh Larkin testified that TECO's request to increase its annual storm damage accrual from \$4 million to \$20 million should be denied and that its request to increase its targeted reserve from \$55 million to \$120 million should also be denied. Witness Stewart testified that Teco's current accrual and targeted reserve, which were approved in 1994, have been sufficient in all years until the abnormal storm season of 2004. [TR. 2140] Public Counsel witness Larkin went further stating that when the 2004 storm reserve was subsequently increased by almost \$39 million in costs that should have been capitalized, there was a balance in the reserve of \$8.3 million. Accordingly, Larkin concluded that "the accrual approved by the Commission and the accumulated reserve which were accumulated was more than sufficient to handle the costs the Company incurred when hurricanes hit the Company's system in 2004." [TR. 2023-2033] Witness Stewart further testified that the current accrual and targeted reserve was both consistent with this Commission's precedent in Florida Power & Light Company's ("FPL") storm recovery financing order entered in Docket No. 060038-EI and the storm securitization legislation passed in 2005. [TR. 2140] He testified that Mr. Harris's testimony (Teco's witness here on this issue) in the FPL case was used by that utility to support a targeted reserve of \$650 million, which the Commission reduced to \$200 million. [TR. 2140] Stewart said that the \$200 million reserve approved in the FPL case

was roughly 3 times the \$73.7 million expected annual uninsured cost from all windstorms testified to by Mr. Harris in that case. Stewart testified that if this Commission used the same 3 to 1 ratio in this case, then 3 times Mr. Harris's expected annual uninsured cost of \$17 million for Teco would be \$54 million, or just under Teco's current targeted reserve of \$55 million. [TR. 2140, 2141]

Both Stewart [TR. 2137] and Larkin [TR. 2037] testified that Teco could seek recovery of storm damage costs in excess of its reserve by petitioning for a storm damage surcharge as did FPL and Progress Energy Florida as a result of the 2004 storms. With respect to the securitization legislation, Stewart testified that prior to the new law, which is now found at Section 366.8260, Florida Statutes, the Commission-approved annual storm accrual was not designed to guarantee recovery of every penny of storm damage costs incurred. Under the previous policy the utilities might only recover excess storm damage expenses that caused them to earn less than a fair rate of return, whereas the new law guarantees the recovery of all reasonable and prudent expenses for storm damage if securitization is sought. [TR. 2141] Witness Stewart also testified that he was concerned that too large a targeted reserve would allow a utility to charge larger storm-related losses against the reserve without having to prove the expenses were reasonable and prudent in an adversarial hearing. [TR. 2142]

In summary, it is AARP's position that recovery from storm damage in excess of on-hand reserves is unlikely based on the historical record. However, should excess storm damage occur, then Teco can adequately and timely seek to recover its expense either through a request for a storm damage surcharge or through the securitization of the approved storm damage expenses pursuant to Section 366.8260, Florida Statutes. Denial of Teco's requested \$16 million a year revenue increase for its storm damage accrual for which there is no assured annual expense will

substantially reduce the level of increased rates Teco's customers must face as the result of this case.

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

**AARP:** \*Yes, as testified to by AARP witness Stewart the requested storm damage accrual should be reduced by \$16,000,000 and remain at \$4,000,000.\*

This issue was briefed in the discussion of Issue 16.

**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.\*

As testified to by Teco witness Ashburn, the retail cost of service methodology should appropriately classify and allocate production plant to the several rate classes to reflect how power plants are planned and operated. It was Ashburn's testimony that Teco's investment in more expensive base load generation was driven in large part by the desire to achieve lower fuel costs than merely to meet peak demand, which results in lower overall bills for customer classes that consume large amounts of energy, like the industrial class. Consequently, Ashburn testified that it was appropriate to employ a cost of service study that allocated more of the production plant cost to energy than provided by the currently used 12 Coincident Peak and 1/13th Percent Average Demand. He testified that the use of the 12 Coincident Peak and 25 Percent Average Demand rather than the 12 Coincident Peak and 1/13th Percent Average Demand better reflects cost causation because it allocates 25 percent of the cost of the production plant to energy whereas the current cost of service study only allocates approximately 8 percent of the cost of production plant to energy. [TR. 1733-1744] As reflected on Ashburn's Exhibit WRA-1, Document 3, the change in cost of service study would save the Residential customer class

\$6.893 million annually in revenue responsibility.

**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. Same position advocated by Teco and Staff.\*

**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 91:** Should an inverted base energy rate be approved for the RS rate schedule?

**AARP:** \*Yes. Same position as advocated by Teco.\*

**ISSUE 94:** Are the two new convenience service connection options and associated connection charges appropriate?

**AARP:** \*No. No customer service fees should be increased at the current time. The standard connection fee should not be increased and the proposed convenience fees, if adopted should be limited to the proposed convenience fees of \$40 and \$275 without being added to the standard connection fee.\*

At a time when customers are facing increased financial challenges and otherwise increasing electric bills from increased fuel charges, Teco is requesting a 56 percent increase in its standard connection fee, proposing to raise it from \$16 to \$25. As testified to at the customer service hearings, some customers are having difficulty paying their electric bills as it is. The Commission should not approve such a large increase in the connection fee with the result that obtaining initial service is more expensive than before. Given the difficult economic times and the essential nature of electric service, AARP would urge the Commission to keep the connection fee at its current level. Furthermore, if the Commission chooses to approve the two new convenience fees of \$40 and \$275 for after hour and Saturday connections, respectively, AARP would urge the Commission to limit the total fees to be collected to these two amount, but not to be added to the standard connection fee.

**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 customer service fees should be increased at the current time. Teco should not be allowed to create two separate charges that increase the current rate by \$15 (at the meter) and by \$105 (at a point distant from the meter), especially since no explanation or justification has been provided.\*

Teco has failed to provide supporting cost data for its request to increase its current \$35 service charge for reestablishment of service after a disconnection to \$50 for a disconnection at the point of the meter or \$140 if the disconnection was at a point distant from the meter. As stated earlier, many customers are struggling to pay their current level electric bills, which have been increased substantially just by fuel adjustment increases. A number of customers at the *customer service hearings discussed the vicious cycle of being disconnected for late payment and then having to face the payment of late charges and reconnection fees in order to regain service.* At a time when so many are struggling financially, AARP would urge the Commission to not increase reconnection fees at all.

**ISSUE 97:** Is the proposed new \$5 minimum late payment charge appropriate?

\*No. The \$5 minimum late payment charge, as opposed to the current 1.5% fee on unpaid balances would dramatically increase charges to customers in these difficult economic times.\*

While seemingly a minor increase, the proposed \$5 late payment charge would equal the payment of a late charge under the current late charge of 1.5% of the unpaid balance to the charge related to an unpaid balance of well over \$300. It is unlikely that many customers would have unpaid balances exceeding the level that would require a \$5 late payment fee under the currently approved charge. Furthermore, Teco had not demonstrated any financial data supporting this level of change. AARP would urge the Commission to not increase the late payment charge at all.

**ISSUE 98:** What are the appropriate service charges (initial connection, normal reconnect subsequent subscriber, field credit visit, return check)?

**AARP:** \*No customer service fees should be increased at the current time.\*

Teco has requested very substantial increases in all of the service charges considered in this issue but has failed to support such increases with detailed cost data showing that the costs of providing the services have increased to an extent warranting such large increases. Many customers are having a difficult time paying their monthly bills at current rates during these difficult economic times and AARP would urge the Commission not to increase any of these customer service fees, which would necessarily make it more difficult than ever for many to afford service.

**ISSUE 107:** What are the appropriate energy charges?

**AARP:** \*Same numerical relationship as proposed by Teco but actual numbers based on revenues approved, so a fall-out issue as stated by Staff.\*

**ISSUE 114:** Should this docket be closed?

**AARP:** Not at this time.

Respectfully submitted,

/s/ Michael B. Twomey

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**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 17<sup>th</sup> day of February, 2009 on the following:

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