

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Storm Protection Plan)
Cost Recovery Clause)
_____)

DOCKET NO. 20220010-EI
FILED: October 14, 2022

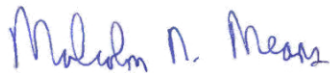
**TAMPA ELECTRIC COMPANY'S
NOTICE OF WITNESS SUBSTITUTION**

TO: ALL PARTIES OF RECORD

Please take notice that Richard Latta, Utility Controller for Tampa Electric Company, will serve as Tampa Electric's witness in place of Tampa Electric witness A. Sloan Lewis, who previously submitted rebuttal testimony in this docket on September 27, 2022. *See* Doc. No. 08036-2022. Mr. Latta's Rebuttal Testimony, which is attached, will substitute for Ms. Lewis' testimony. This Rebuttal Testimony is identical to Ms. Lewis' other than the responses to those questions that ask about the witness' identity and qualifications.

DATED this 14th day of October 2022.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Notice of Witness Substitution, filed on behalf of Tampa Electric Company, has been furnished by electronic mail on this 14th day of October 2022 to the following:

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AN EMERA COMPANY

**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

**DOCKET NO. 20220010-EI
IN RE: STORM PROTECTION PLAN
COST RECOVERY CLAUSE**

REBUTTAL TESTIMONY

OF

RICHARD J. LATTA

FILED: OCTOBER 14, 2022

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **PREPARED DIRECT TESTIMONY**

3 **OF**

4 **RICHARD J. LATTA**

5
6 **INTRODUCTION:**

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

8
9 **A.** My name is Richard J. Latta. My business address is 702
10 N. Franklin Street, Tampa, Florida 33602. I am employed
11 by Tampa Electric Company ("Tampa Electric" or "the
12 Company") in the Finance Department as Utility
13 Controller.

14
15 **Q.** Please describe your duties and responsibilities in that
16 position.

17
18 **A.** My duties and responsibilities include maintaining the
19 financial books and records of the company and for the
20 determination and implementation of accounting policies
21 and practices for Tampa Electric. I am also responsible
22 for budgeting activities within the company, which
23 includes business planning, as well as general
24 accounting, regulatory accounting, plant accounting,
25 regulatory tax accounting, and financial reporting.

1 **Q.** Please describe your educational background and
2 professional experience.

3
4 **A.** I graduated from the University of South Florida in 2005
5 with a Bachelor of Science degree in Accounting and a
6 Master of Accountancy in 2007. I am a Certified Public
7 Accountant in the State of Florida. I joined Tampa
8 Electric in 2001 as a Customer Service Representative.
9 Upon completion of my Accounting degree, I joined Tampa
10 Electric's Accounting Department in 2005 as a Financial
11 Reporting Accountant working on the Conservation and
12 Environmental clauses. I held and expanded my roles
13 within Tampa Electric's Accounting Department until I
14 moved to TECO Services Inc. in 2014 as a Corporate
15 Accounting Manager. I returned to Tampa Electric's
16 Accounting Department in 2017 as the Director of Financial
17 Reporting. I am currently the Controller of Tampa
18 Electric and have held this role since July 2021.

19
20 **Q.** Other than describing your background and qualifications,
21 is the remainder of your testimony the same as that set
22 forth in the rebuttal testimony of A. Sloan Lewis that
23 was filed in this proceeding on September 27, 2022.

24
25 **A.** Yes, it is.

1 **Q.** What is the purpose of your rebuttal testimony in this
2 proceeding?

3

4 **A.** The purpose of my rebuttal testimony is to address the
5 deficiencies and misconceptions in the direct testimony of
6 Lane Kollen, who is testifying on behalf of the Office of
7 Public Counsel ("OPC").

8

9 **Q.** Have you prepared any exhibits to accompany your rebuttal
10 testimony?

11

12 **A.** No.

13

14 **Q.** Do you have any general comments regarding the overall
15 direct testimony of Mr. Kollen?

16

17 **A.** Yes. The testimony of Mr. Kollen is highly critical of the
18 process utilized by the Commission and the company to
19 develop the estimated revenue requirements and associated
20 rate impacts. Mr. Kollen continues to recommend, as he did
21 in the Storm Protection Plan ("SPP") proceeding, to make
22 recommendations for the Commission to adopt additional
23 specific guidelines and criteria that would apply to all of
24 the utilities SPPs. As I will explain further in my
25 rebuttal testimony, I believe the adoption of his

1 recommendations are unnecessary and if implemented would
2 also be problematic.
3

4 **REBUTTAL TO DIRECT TESTIMONY OF LANE KOLLEN:**

5 **Q.** On Page 2, Line 18 Mr. Kollen states that the OPC has
6 disputed the proper quantification of revenue requirement
7 and rate impacts in the pending Storm Protection Plan
8 ("SPP") proceeding. Do you agree with OPC's assessment
9 that the revenue requirements and rate impacts are
10 incorrect or are incorrectly calculated in the SPP or in
11 this proceeding?
12

13 **A.** No, I disagree with their statements. The revenue
14 requirements and rate impacts for Tampa Electric are
15 calculated accurately in the both the SPP proceeding and in
16 this proceeding according to the principles set out in
17 Section 366.96 and Rules 25-6.030 and 25-6.031.
18

19 **Q.** On Page 5, Line 9 Mr. Kollen reinforces that the Storm
20 Protection Plan Cost Recovery Statute 366.96 Florida
21 Statutes states that the annual transmission and
22 distribution storm protection plan costs may not include
23 costs recovered through the public utility's base rates.
24 Do you agree with this statement, if so, does Tampa Electric
25 fully comply with this statement?

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A. Yes, I agree with this statement. In addition, Tampa Electric fully complies with this requirement. All of the company's SPP costs that are sought for recovery through the Storm Protection Plan Cost Recovery Clause ("SPPCRC") are not recovered through base rates. In fact, to ensure there was no chance of double recovery of SPP costs, Tampa Electric's 2020 Stipulation and Settlement Agreement adjusted the 2020 SPPCRC actual costs (in the amount of \$10.4 million) and made a one-time reduction to base rates starting on January 1, 2021 (in the amount of \$15 million) to recognize the transition of the cost recovery for several base rate activities into the SPPCRC. These activities included planned distribution and transmission vegetation management, distribution and transmission inspections, and the O&M portion of transmission wood pole replacements.

Q. On Page 8, Line 3, Mr. Kollen asserts that there are three opportunities to review and assess the prudence of the company's SPP, and that the most important opportunity occurs in the first year of the three-year SPP cycle because it occurs before the updated and new SPP programs are implemented and costs are incurred. Do you agree with his assessment?

1 **A.** No. Tampa Electric believes that the process for reviewing
2 and assessing the prudence of the company's SPP activities
3 occurs at many more times that just in the company's annual
4 SPPCRC projection filing in this proceeding. First, the
5 SPP programs and associated projects are reviewed in the
6 ten-year SPP, not a three-year plan as inferred by Mr.
7 Kollen. As required by the Commission rule, estimated SPP
8 programs and associated projects costs are quantified for
9 each of the ten years with more specific information being
10 provided for the first three-years of the SPP. The
11 discovery process for the SPP is quite arduous and thorough
12 by all parties. In Tampa Electric's first SPP, the OPC was
13 a party to the company's settlement agreement which
14 approved Tampa Electric's initial 2020-2029 SPP and 2021
15 SPPCRC cost recovery. In this settlement process the SPP
16 programs were also reviewed and assessed for prudence by
17 all parties, including the OPC, and the settlement was
18 approved by the Commission.

19
20 Annually, the Commission and interested parties have
21 multiple opportunities to review and assess the prudence of
22 the company's SPP programs and projects. The company
23 communicates SPP information in the following annual
24 processes and filings:

- 25 • Annual SPPCRC Commission Staff Financial Audit

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- Annual Wood Pole Inspection Report
- SPPCRC True-up Filing
- SPPCRC Actual/Estimate and Projection Filing
- SPP Annual Report

Each of these filings is followed by discovery. Therefore, contrary to Mr. Kollen’s assertion that there are only three opportunities to review and assess the prudence of SPP programs and projects over the next three years. Tampa Electric believes prudence review is an ongoing annual process with multiple opportunities for review each year, in which all filings are important. This is the reason the company highly scrutinizes any proposed new program, project, or costs that are being discussed for inclusion in the SPP and the SPPCRC, to ensure the Statute and Commission Rules are fully adhered to.

Q. On page 8, Line 13, Mr. Kollen critiqued the company’s SPPCRC filings for providing only the actual/estimated costs for its 2022 SPP programs, projected costs for its 2023 programs, related information and comparison, true-ups and calculations of the SPPCRC revenue requirement and SPPCRC factors and infers that because of this, the company failed to demonstrate prudence or reasonableness. Do you agree with his assessment?

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A. No. The Commission adopted Rule 25-6.031, which sets out the requirements for SPPCRC filings. Tampa Electric attended workshops that were facilitated by Commission Staff following the development of the Commission SPP and SPPCRC Rules. In these workshops, Commission Staff defined the requirements for data that must be included in the company's SPPCRC projection filing. In addition, the Commission provided Excel file templates that were supposed to be used to ensure the company was providing what was required to enable the Commission to review SPP costs and activities for their prudence. In short, the Commission specified what information it needs to review the prudence of SPP expenditures, and the company provided this information. By no means does this infer that the SPP programs or the associated projects are imprudent or unreasonable. Furthermore, the company's 2022 SPP activities are a continuation of Tampa Electric's original 2020-2029 SPP. In addition, as part of the 2020 Stipulation and Settlement Agreement, in which OPC was an agreeing party, the company agreed to modify the scope of programs within the initial SPP. The company's proposed 2023 SPP activities contained in the 2022-2023 SPP are in large part also a continuation of the company's initial 2020-2029 with some modifications to enhance the Distribution Lateral

1 Undergrounding Program and to also install three
2 applications to leverage the data coming from the company's
3 advanced metering infrastructure ("AMI") system to enhance
4 the performance of the company during extreme weather in
5 the Distribution Overhead Feeder Hardening Program.

6
7 **Q.** On Page 9, line 6, Mr. Kollen recommends that the
8 Commission should exclude construction work in progress
9 ("CWIP") from both the return on rate base and
10 depreciation expense, and instead allow a deferred return
11 on the CWIP until it is converted to plant in service or
12 prudently abandoned." Do you agree with this
13 recommendation?

14
15 **A.** No, I do not for several reasons. First, the company
16 operates all the cost recovery clauses in a similar
17 manner, so by inserting different requirements just in
18 the SPPCRC would be problematic in that it would require
19 different accounting policies and procedures for how the
20 clause is facilitated. For example, in all of Tampa
21 Electric's cost recovery clauses, the company earns a
22 return on the undepreciated balance, which is the net
23 investment less accumulated depreciation. The net
24 investment includes CWIP. The intent of this method is
25 to allow the company to earn a return during construction

1 which keeps the utility whole as it is incurring expenses
2 to invest in assets which will benefit customers.
3 Therefore, it would not make sense to defer the return
4 until the asset went in service. Second, the company's
5 depreciation expense is not calculated on CWIP, it is
6 calculated only when that asset goes in service (i.e.,
7 when the asset is converted to plant in service).

8
9 **Q.** On Page 9, Line 9, Mr. Kollen recommends that the
10 Commission should allow property tax only on the net plant
11 at the beginning of each year. Do you agree with this
12 recommendation?

13
14 **A.** Tampa Electric already follows this recommendation. The
15 company calculates tax based on plant in service net of
16 accumulated depreciation, not CWIP. As a result, I do
17 not think the Commission needs to adopt any specific
18 criteria or guidance on this topic since it is not
19 contained in the SPP Statute or SPP Rules.

20
21 **Q.** On Page 9, Line 11, Mr. Kollen suggests that the
22 Commission should require a credit for the avoided
23 depreciation expense on plant that is retired due to SPP
24 plant investments. He expands this argument on pages 23
25 through 25 of his testimony. Do you agree?

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A. Tampa Electric already includes a credit for depreciation savings in the calculation of the revenue requirement. As a result, I do not think the Commission needs to adopt any specific criteria or guidance on this topic since it is not contained in the SPP Statute or SPP Rules.

Q. On Page 9, Line 13, Mr. Kollen recommends requiring a credit for savings in O&M expenses that no longer will be incurred due to the SPP capital expenditures investments and the SPP O&M expenses. He reasserts this argument on pages 21 through 23 of his testimony. Do you agree with this recommendation?

A. As the company explained in the discovery response that Mr. Kollen quotes on Page 23, Line 5 of his testimony, the company cannot accurately forecast whether SPP investments will ultimately reduce blue-sky O&M costs at this time. Furthermore, these savings may be offset in whole or in part by increases in certain O&M costs such as inspections and maintenance of new system assets. If a reduction in O&M expenses associated with SPP investments does materialize, this could be reflected in future company base rate cases.

1 **Q.** On Page 9, Line 17, Mr. Kollen asserts that the Commission
2 should require utilities to move pole inspection and
3 vegetation management expenses from base rates to the
4 SPPCRC. Do you agree?

5
6 **A.** No, As I explained above this recommendation does not
7 apply to Tampa Electric. The company already moved cost
8 recovery for planned distribution and transmission
9 vegetation management, distribution and transmission
10 inspections, and the O&M portion of transmission wood pole
11 replacements to the SPPCRC.

12
13 **Q.** On Page 10, Line 6, Mr. Kollen states that each utility has
14 included programs and projects that are included within the
15 scope of existing base rate programs and base rate
16 recoveries in the normal course of business. Do you agree
17 with this statement?

18
19 **A.** No, I completely disagree with this statement. All of Tampa
20 Electric's programs and associated projects that the
21 company is seeking to recover those costs though the SPPCRC
22 are incremental above and beyond what the company performs
23 within the scope of existing base rate programs and base
24 rate recoveries in the normal course of business. As I
25 explained above, the company made base rate adjustments to

1 recover those activities such as pole inspections and
2 vegetation management solely through the SPPCRC. The
3 program listed in his direct testimony as an example is
4 Transmission Access Enhancement. This program and its
5 associated projects were approved in Tampa Electric's
6 initial 2020-2029 SPP, which was approved through a
7 settlement agreed to by OPC. The company did not make any
8 adjustments to the scope of this program. In addition, the
9 company provided testimony in the 2022 SPP docket that
10 establishes that this program goes above and beyond base
11 rate activities.

12
13 **Q.** On Page 10, Line 19, Mr. Kollen also argues that some SPP
14 projects should be excluded from the SPPCRC because they
15 are not economic. He repeats this line of argument on Pages
16 11 and 12 of his testimony. Do you agree with this
17 suggestion?

18
19 **A.** No. Tampa Electric believes Mr. Kollen's discretionary
20 view of using a typical utility cost-benefit screening
21 criterion fails to recognize that the SPP Statute makes it
22 clear that completion of storm protection activities is
23 mandatory. Tampa Electric did not perform a traditional
24 financial or economic analysis to support the filing of the
25 SPP so his metric would not apply to the analysis that was

1 performed. The company generally agrees with Mr. Kollen's
2 principles that benefits should outweigh costs in
3 investment decision making, however, restricting that to
4 only a financial metric is not sound in all circumstances,
5 especially when hardening the system against the adverse
6 effects of extreme weather. For example, Section 366.96
7 also requires utilities to reduce customer outage times in
8 addition to restoration costs.

9
10 **Q.** On Page 13, Line 14, Mr. Kollen states that the company
11 overstated the economic value of their SPP programs and
12 projects. Do you agree with this statement?

13
14 **A.** No. Tampa Electric did not overstate the economic value of
15 the company's SPP programs and projects. First, the company
16 did not include the societal value of customer
17 interruptions in the cost-benefit comparisons presented in
18 the company's 2022 SPP. The benefits of the plan were
19 presented in terms of expected reductions in restoration
20 costs, in terms of dollars that would have been incurred by
21 Tampa Electric, and customer outage times in minutes.
22 Beyond the estimated reduction in outage times and costs
23 and the level of societal benefits that are reflected in
24 the Department of Energy's ICE calculator, Tampa Electric
25 considered the safety of employees and the general public,

1 the duty to serve, and other factors on top of the financial
2 cost when evaluating the benefits of the SPP programs and
3 projects. For the SPP, the duty to serve benefit stream
4 was quantified based on the avoided outages from storms.
5 Examining these benefits that were included, the company
6 believes that there are many other benefits that were not
7 included in the analysis that would most likely cause the
8 actual benefits and economic value received to be
9 "Understated" from a customer's view. Examples of these
10 customer benefits that were not explicitly included after
11 an extreme weather event are:

- 12 • Revenue gained from keeping a store open for
13 business.
- 14 • Residential customers having medical equipment will
15 stay running.
- 16 • Customer's refrigerated and frozen food not
17 spoiling.
- 18 • Residential customer's being able to stay at home
19 having air conditioning versus checking into a
20 hotel.
- 21 • Preventing a tragic event similar to the one that
22 occurred during Hurricane Irma in nursing homes or
23 assisted living centers.

24
25 **Q.** On Page 13, Line 13, Mr. Kollen states that societal value

1 of customer interruptions is not a cost that actually is
2 incurred or avoided by the utility or customers and should
3 be excluded from the justification of SPP program and
4 projects using benefit cost analysis. Do you agree with
5 this assessment?

6
7 **A.** No. This statement recognizes Mr. Kollen does not
8 understand the meaning or intent of the Statute 366.96 that
9 was approved by the Florida Legislature and Governor
10 DeSantis. Governor DeSantis and the Florida Legislature
11 recognize that extreme weather events wreak havoc to
12 Florida's society and economy upon their occurrence and the
13 SPP is one method to reduce the adverse impacts from these
14 events. Even though Tampa Electric did not include societal
15 or non-energy impacts/benefits in its analysis, it does not
16 concur with Mr. Kollen that this data should be excluded
17 from the analyses in the future.

18
19 **Q.** On Page 16, Line 8, Mr. Kollen recommends the Commission
20 deny SPPCRC cost recovery of SPP programs and projects and
21 recommends some defined thresholds to determine the
22 prudence and reasonable. Do you agree with his
23 recommendations?

24
25 **A.** No. The SPP Statute directs the Commission to consider the

1 "estimated costs and benefits" of the SPP but does not
2 require the Commission to adopt a universally applicable
3 threshold ratio for costs and benefits. In addition, as
4 explained above there are many other benefits to consider
5 rather than looking at an SPP program or project using a
6 traditional utility view only cost-benefit analysis.

7
8 **Q.** On Page 17, Line 7, Mr. Kollen makes recommendations to
9 Tampa Electric to recalculate the company's revenue
10 requirement. Do you agree with his recommendations?

11
12 **A.** No. As I have explained, above all of his recommendations
13 should be rejected. His recommendations would cause
14 problematic issues with how the company accounts for
15 investments in cost recovery clauses. In addition, as I
16 explained above, the company at this time has no
17 quantifiable data to support any type of base rate O&M
18 savings at this time.

19
20 **Q.** On Page 18, Line 15, Mr. Kollen states that utilities cannot
21 earn a return on CWIP. Do you agree with this statement?

22
23 **A.** No. In Tampa Electric's 2020 Stipulation and Settlement
24 Agreement that resolved the 2020 SPP and SPPCRC dockets,
25 the parties agreed that a Tampa Electric SPP project is

1 "initiated" when "in the normal and ordinary course of
2 business, the first dollar is posted to the project work
3 order as reflected in the company's accounting system in
4 accordance with the company's standard accounting
5 procedures." The parties also agreed that Tampa Electric
6 could earn a return on investment and depreciation expense
7 on capital projects "initiated" after April 1, 2020. In
8 other words, the parties agreed that Tampa Electric can
9 earn CWIP on SPP projects initiated after April 1, 2020.

10
11 **Q.** On Page 20, Line 22, Mr. Kollen argued that the Commission
12 cannot determine the prudence or reasonableness of the
13 establishment of the warehouse. Do you agree with this
14 discussion?

15
16 **A.** No. The costs of the warehouse are very transparent. The
17 company charges the cost of the leased warehouse space that
18 supports only the Distribution Lateral Undergrounding
19 Program to a single O&M Plant maintenance Order ("PMO")
20 number which is a single line item on the company's SPP
21 accounting files. The company chose to charge the warehouse
22 this way for three reasons: First, with the volume of
23 material needed for this program and the number of contract
24 partners performing the work, the company needed to have a
25 separate warehouse area for this material. Second, by

1 having a separate charge account for the warehouse the costs
2 and control of costs would be tracked and managed rather
3 than having the charge broken up between hundreds of smaller
4 projects. Third, because the company operates the SPP as
5 a customer centric program, the company thought it would be
6 in the best interest of its customers to lease the space
7 and run these costs as an O&M expense versus charging the
8 space to smaller individual projects where these costs
9 would ultimately be capitalized and then earn a return.

10
11 **Q.** On Page 28, Line 17 Mr. Kollen makes recommendations for
12 Tampa Electric to correct the company's SPPCRC revenue
13 requirement. Do you agree with his recommendation?
14

15 **A.** No. I do not agree with any of his recommendations. Tampa
16 Electric performed the calculations for the revenue
17 requirements accurately and in accordance with Section
18 366.96, Rules 25-6.030 and 25-6.031, and the company's
19 accounting procedures. As explained above, his
20 recommendations should also be rejected for those reasons.
21

22 **Q.** Does this conclude your rebuttal testimony?
23

24 **A.** Yes.