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July 27, 1998

**VIA HAND DELIVERY**

Blanca S. Bayo, Director
Florida Public Service Commission
Division of Records and Reporting
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0870

Re: Docket No. 980693-EI

Dear Ms. Bayo:

Enclosed for filing and distribution are the original and fifteen copies of the Direct Testimony and Exhibit of James T. Selecky on behalf of the Florida Industrial Power Users Group in the above docket.

Please acknowledge receipt of the above on the extra copy enclosed herein and return it to me. Thank you for your assistance.

Sincerely,

Vicki Gordon Kaufman

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Encls.

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ORIGINAL

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

| | | |
|---|---|---|
| **In Re: Petition by Tampa Electric Company for Approval of Cost Recovery for a New Environmental Program, the Big Bend Units 1 and 2 Flue Gas Desulfurization System.** | ) | **Docket No. 980693-EI** |
| | ) | **Filed: July 27, 1998** |

Direct Testimony and Exhibit of

**James T. Selecky**

On Behalf of

**Florida Industrial Power Users Group**

July 1998
Project 6945

**Brubaker & Associates, Inc.**
**St. Louis, MO 63141-2000**

ORIGINAL

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July 1998
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**Brubaker & Associates, Inc.**
**St. Louis, MO 63141-2000**

Docket No. 980693-EI

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

**DIRECT TESTIMONY AND EXHIBIT**

**OF**

**JAMES T. SELECKY**

**Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A James T. Selecky; 1215 Fern Ridge Parkway, Suite 208; St. Louis, MO 63141-2000.

**Q WHAT IS YOUR OCCUPATION AND BY WHOM ARE YOU EMPLOYED?**

A I am a consultant in the field of public utility regulation with the firm of Brubaker & Associates, Inc. (BAI), energy, economic and regulatory consultants.

**Q PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

A These are set forth in Appendix A to this testimony.

**Q ON WHOSE BEHALF ARE YOU PRESENTING TESTIMONY IN THIS PROCEEDING?**

A I am appearing on behalf of the Florida Industrial Power Users Group (FIPUG). FIPUG members are customers of Tampa Electric Company

(TECo or Company). They purchase substantial quantities of electric power and energy under various firm and interruptible tariffs.

**Q WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

A I will address TECo's Petition which seeks the Florida Public Service Commission's (Commission) approval of cost recovery for the proposed Flue Gas Desulfurization (FGD) for Big Bend Units 1 and 2. In addition, I will address some of the issues raised by the Staff in its Second Amended List of Preliminary Issues in this Docket.

**Q WHAT CONCLUSIONS HAVE YOU REACHED?**

A The Company's request for cost recovery through the Environmental Cost Recovery Clause (ECRC) is premature and should be denied. However, if the Commission authorizes recovery of the FGD costs through the ECRC in this case, the recovery period should be set at a minimum of 20 years, the rate of return on common equity should be set at the low end of the Commission-approved range and a cap should be established for the amount of equity included in the capital structure that is used to develop the ECRC surcharges.

<u>Response to TECo's Petition</u>

**Q WHAT IS TECO SEEKING IN ITS PETITION?**

A The Company requests Commission approval for cost recovery of the Big Bend Units 1 and 2 FGD system through the ECRC over a ten-year recovery period.

**Q SHOULD THE COMMISSION APPROVE RECOVERY OF THE COST OF THE FGD THROUGH THE ECRC?**

A No. The Company's request for cost recovery through the ECRC is premature and should be denied.

**Q WHY IS TECO'S PETITION FOR COST RECOVERY PREMATURE?**

A First, the costs for which TECo is seeking recovery are related to Clean Air Act Amendment (CAAA) compliance. I am advised by counsel that before the Commission can consider cost recovery for CAAA compliance activities, it should first review a plan submitted by the utility pursuant to Section 366.825, Florida Statutes (1997), to determine whether a utility's compliance plan, the costs necessarily incurred to implement such a plan and any effect on rates resulting from such implementation are in the public interest. TECo has not provided the information needed to make such a determination in this case. Only when the Commission has approved such a plan can the utility seek recovery of the costs through the ECRC (Section

366.8255(2), Florida Statutes). However, TECo has not yet received approval for the proposed FGD system under Section 366.825. Consequently, its Petition for cost recovery is premature.

**Q ARE THERE OTHER REASONS THAT THE COMPANY'S PETITION FOR COST RECOVERY IS PREMATURE?**

A Yes. First, the proposed FGD system is not projected to commence operation until sometime in the year 2000. It is only possible to speculate what conditions might be like in the year 2000 that may warrant a different cost recovery treatment or no cost recovery at all.

For example, it is likely that, given its past history, TECo could continue to earn well in excess of a reasonable return on equity (ROE). This would be significant because a utility that earns a reasonable ROE is already fully recovering its cost of service. Consequently, a further adjustment to rates, such as imposing a surcharge or increasing a non-fuel related adjustment factor (i.e., ECRC), is unnecessary to give the utility a reasonable *opportunity* to earn a reasonable ROE on its prudent investment. Thus, cost recovery through the ECRC may not be needed to provide TECo the *opportunity* to recover the costs of the proposed FGD system.

To permit TECo to pass the costs of incremental investments through the ECRC, while it is earning a reasonable ROE or exceeding its authorized ROE including the incremental investment, is an invitation to create further over-earnings. This result would be detrimental to the utility's customers and is not reasonable or in the public interest.

**Q WHAT WOULD BE THE CONSEQUENCES OF DECIDING THE COST RECOVERY ISSUE AT THIS TIME?**

A By making assumptions now about events that will not be known and measurable until the year 2000, when the proposed FGD system is projected by TECo to commence operation customers could be forced to pay rates that are higher than the actual cost of providing service. The Commission can prevent this outcome by waiting until commercial operation before deciding cost recovery issues. Deferring a decision until then would protect customers' interests. Further, there would be no harm to TECo since these costs cannot actually be recovered prior to commercial operation.

**Q HOWEVER, IF THE COMMISSION DECIDES THE COST RECOVERY ISSUES IN THIS DOCKET, UNDER WHAT CIRCUMSTANCES SHOULD**

**TECo BE PERMITTED TO RECOVER THE COSTS OF THE FGD THROUGH THE ECRC?**

A To the extent TECo is earning within its authorized ROE range, it will be recovering the costs of the FGD and no additional collection from consumers should be permitted.

Q **WOULD THE EARNING CAP MECHANISMS CURRENTLY IN PLACE PREVENT CUSTOMERS FROM PAYING EXCESSIVE RATES?**

A No. I have no evidence that the rate freeze is presently being applied to cost recovery mechanisms. Even if TECo is properly accounting for recoveries in excess of 11.75% in its reports to the Commission, the rate freezes and refund mechanisms for excess earnings expire at the end of 1999. Therefore, the customers have no guarantee that they will not be paying excessive rates in 2000.

Q **SHOULD THE COMMISSION APPROVE A TEN-YEAR RECOVERY PERIOD FOR THE FGD SYSTEM?**

A No. As discussed later in my testimony in response to Staff's Second Amended List of Preliminary Issues, I do not believe that a ten-year recovery period is appropriate. A more appropriate recovery period

would be 20 to 30 years, which approximates the useful life of the proposed FGD.

**Q IF THE COMMISSION GRANTS TECO'S PETITION FOR COST RECOVERY, SHOULD ALL OF THE COSTS BE RECOVERED FROM THE COMPANY'S RETAIL JURISDICTION?**

A No. Although I believe it is premature to address cost recovery issues in this docket, should the Commission authorize cost recovery through the ECRC, then it is my recommendation that retail customers should not bear 100% of the costs of the proposed FGD system. TECo has been, and continues to be, an active player in wholesale power markets. For example, during 1997, 17.3% of its energy sales were made to wholesale customers (TECo Annual Report, p. 22). Since TECo will use Big Bend Units 1 and 2, in part, for wholesale sales, it would be inequitable for retail customers to pay all of the FGD costs.

Also, it is my understanding that, absent CAAA compliance, TECo could not operate Big Bend Units 1 and 2. Consequently, the availability of energy for resale in the wholesale market would be critically impacted by the continued operation of Big Bend Units 1 and

2. For this reason, wholesale sales should be allocated a proportional share of the FGD system costs.

**Q HOW SHOULD THE COSTS BE ALLOCATED TO WHOLESALES SALES?**

A While FIPUG strongly disagrees with the use of an energy allocator, if the Commission employs an energy allocator to assign cost responsibility to the retail rate classes, it should use an energy allocator to assign costs to the wholesale class. In addition, to the extent that any of the wholesale contracts relate to purchases specifically from Big Bend Units 1 and 2, cost allocations should be made consistent with those contracts.

**Response to Staff Issues**

**Q IF THE COMMISSION DECIDES COST RECOVERY ISSUES IN THIS DOCKET, WHAT ARE YOUR RECOMMENDATIONS REGARDING THE PARAMETERS OF COST RECOVERY?**

A As discussed above, it is premature for the Commission to decide cost recovery issues at this time. Further, no recovery should be allowed if, as discussed earlier, TECo is earning within its authorized

range. However, if the Commission does make a cost recovery determination, I will address the Staff's cost recovery issues beiow.

**Q [ISSUE 10] WHAT ROE SHOULD TECO BE ALLOWED TO EARN ON THE CAPITAL INVESTMENT COSTS FOR THE PROPOSED FGD SYSTEM ON BIG BEND UNITS 1 AND 2?**

A It is my understanding that Section 366.8255(d)(1) mandates the use of the last authorized rate of return on equity. However, the statute does not specify whether the applicable ROE should be a point estimate or a range. Nor does it specify whether the high-end or low-end of the range should be used. TECo's last authorized ROE range is 10.75% to 12.75% with an 11.75% ROE midpoint.

**Q ARE THERE ANY CIRCUMSTANCES THAT WARRANT THE SELECTION OF AN ROE FOR THE PROPOSED FGD SYSTEM?**

A Yes. TECo has an excessive amount of common equity in its capital structure. At year end 1997, TECo's common equity ratio as shown on Exhibit No. ___ (JTS-1) was 59.6% of total utility capital. In recent Proposed Agency Action Order No. PSC-98-0802-FOF-EI, page 9, in Docket No. 950379-EI, the Commission recognized that TECo's

common equity ratio is getting too high. It did so by capping the equity ratio at 58.7%.

Further, TECo's authorized ROE range is excessive based on current conditions. It is my opinion that if the Commission were setting an ROE for TECo today, it would be in the range of 3% to 4% over its marginal debt cost of approximately 7%. This would produce an ROE of 10% to 11%. This level of ROE is more consistent with ROEs authorized by state regulators.

This recommendation, in part, reflects TECo's lower regulatory risk. Unlike most utilities around the nation, TECo is permitted to recover a portion of its non-fuel and purchased power costs through adjustment clauses. These adjustment clauses reduce regulatory lag and provide virtually guaranteed dollar-for-dollar recovery of prudent costs. Thus, TECo has lower regulatory risk than most utilities.

For all of the above reasons, should the Commission approve an ROE for the proposed FGD System in this docket, it is my recommendation that the lower end of the authorized ROE range, or 10.75% should be used. Because of TECo's high common equity ratio, which is discussed below in my testimony, it is appropriate to

A Yes. A new security type recently introduced into the utility industry is expected to produce significant cost of capital savings by transferring the financial risk of utility obligations directly to customers. This is ostensibly what is occurring in the Company's proposal to recover the FGD facility in an automatic recovery rider with annual true-ups. The new utility security is referred to as securitization. Securitization bonus can be used within utility transition plans to competition to create cost savings that are used to pay for either stranded cost recovery or rate reductions. The interest rate on securitization bonds is expected to be lower than the utilities' debt and equity securities because of specific credit enhancements.

In Illinois, two utilities seeking regulatory authority to issue securitization bonds informed the Illinois Commerce Commission that an annual revenue true-up (i.e., guaranteed cost recovery) to debt service cost was considered a key credit enhancement that was needed to ensure the bonds receive the highest credit rating possible. Similarly, if the Commission approves TECo's request to recover its FGD investment via an automatic recovery clause with an annual revenue to cost true-ups, this should be considered a credit

enhancement which lowers TECo's risk of cost recovery. TECo's lower risk should, like securitization bonds, be passed onto customers in the form of a lower return.

**Q HOW DOES YOUR RECOMMENDED RATE OF RETURN ON COMMON EQUITY OF 10.75% COMPARE WITH RETURNS AUTHORIZED BY OTHER COMMISSIONS?**

A Specifically, over the last three years, regulatory commissions have on average authorized electric utilities a return on common equity of 11.4%, and applied this equity return to capital structures composed of equity ratios of approximately 46%. (*Major Rate Case Decisions*, January 1990 - December 1997, Regulatory Research Associates, Inc.) However, TECo's greater use of common equity reduces its financial risk which should be reflected by a relatively lower cost of common equity. This later point will be discussed later in my testimony.

**Q [ISSUE 11] WHAT IS THE APPROPRIATE OVERALL RATE OF RETURN FOR THE RECOVERY OF THE CAPITAL INVESTMENT COSTS FOR THE PROPOSED FGD SYSTEM ON BIG BEND UNITS 1 AND 2?**

A The overall rate of return the Company should be allowed to earn on this investment should consist of a reasonable return on common equity, actual embedded costs of debt and preferred stock and a capital structure which reasonably reflects an attempt to minimize the overall cost of capital. Also, in developing the overall rate of return, the Commission should recognize that there is a relationship between a fair return on common equity, and the common equity ratio.

To determine the overall rate of return, the Commission should recognize, as it did in Docket No. 950379-EI, that an appropriate common equity ratio should be capped at 58.7%. In addition, as discussed above, the rate of return on common equity should be set at 10.75%.

**Q WHY SHOULD THE COMMISSION REQUIRE THE COMPANY TO MINIMIZE THE OVERALL COST OF CAPITAL.**

A The Commission should require the Company to manage all cost in a least cost manner. The cost of capital is not an exception. One of the highest cost components to customers of the Company's proposed FGD facility is its overall rate of return and related income taxes. To the extent the Company's capital structure contains too

much common equity, the overall rate of return and income tax costs would be excessive. If rates are set to recover an excessive return and related income taxes, customers will be burdened by paying prices which are unjust and unreasonable. Unreasonable prices would not be sustainable in a competitive market and should not be allowed in a price regulated market.

**Q PLEASE DESCRIBE HOW A COMPANY CAN MINIMIZE ITS OVERALL COST OF CAPITAL.**

A A utility's overall cost of capital is determined by its mix of debt and equity. Debt capital is a lower cost form of capital than equity because it is deductible from income taxes and is lower risk because debt holders have a claim to assets that is senior to equity holders. However, a utility's financial risk will increase as it increases the amount of debt included in its capital structure. As financial risk increases so too does the cost of each capital component. Conversely, as a firm increases its use of common equity capital its financial risk and cost of each capital component decrease. Unfortunately, common equity has a higher cost than debt and it is not tax deductible. Hence, a capital structure is weighted too heavily

with either debt or equity can result in an overall cost of capital that is higher than it would be with a more reasonable debt/equity mix.

**Q WHAT WOULD BE A REASONABLE COMMON EQUITY RATIO TO INCLUDE IN A CAPITAL STRUCTURE?**

A For the purpose of this proceeding, I recommend that the Company's common equity ratio be capped at the 58.7% ratio used by the Commission in Docket No.950379-EI for purposes of measuring 1996 earnings. While I can support this equity ratio cap for purposes of this proceeding, I believe this issue, as it pertains to TECo in the year 2000, should be more thoroughly evaluated in an appropriate rate proceeding.

**Q WHEN YOU REFER TO A COMMON EQUITY RATIO OF 58.7%, ARE YOU REFERRING TO TECO'S RATEMAKING CAPITAL STRUCTURE?**

A No. The Florida Commission includes for ratemaking purposes certain customer provided sources of capital such as accumulated deferred taxes and customer deposits to develop an overall rate of return. When I discuss the appropriate level of common equity, I am referring to the utility's capital structure which includes debt, preferred stock

and common equity. Therefore, the utility's common equity ratio should not be confused with the ratemaking common equity ratio.

**Q WHAT IS YOUR BASIS FOR CAPPING THE COMMON EQUITY RATIO AT 58.7%?**

A First, I am recommending that TECo's common equity return be set at the low end of its return range, 10.75%. The common equity ratio and a fair return on equity are related. A fair return on common equity should be lower if it is applied to a capital structure heavily weighted with common equity. This concept supports my recommendation here. The low end of the company's approved common equity return range of 10.75% is lower than that which has been awarded to other electric utilities around the country over the last three years. However, this lower return will be applied to a capital structure which is more heavily weighted with common equity.

Second, the Value Line Investment Survey is projecting an electric utility industry average common equity ratio of 48% in 1998, and 50% over the period 2001 through 2003. This strongly indicates that the company's common equity ratio is too high.

Therefore, to use a common equity ratio any higher would produce unreasonable customer rates.

**Q [ISSUE 13] SHOULD THE COMMISSION APPROVE TECO'S REQUEST FOR RECOVERY OF THE PROPOSED FGD SYSTEM ON BIG BEND UNITS 1 AND 2 OVER A TEN-YEAR PERIOD?**

A No. The Commission should authorize an amortization period equal to the useful life of the facility of the investment. Based on my review of the information, I would recommend an amortization period of *at least* 20 years.

**Q WHY IS TECO PROPOSING TO RECOVER THE INVESTMENT IN THE FGD SYSTEM OVER A TEN-YEAR PERIOD?**

A TECo states in the testimony of Thomas L. Hernandez that the determination of the ten-year period was based on the goal of "mitigating potential stranded cost" (page 14). TECo's proposed ten-year period is not based on any useful life, but rather on TECo's efforts to have current customers subsidize its preparation for competition.

**Q IS A TEN-YEAR RECOVERY PERIOD JUSTIFIED IN ORDER TO MINIMIZE POTENTIALLY STRANDED COSTS?**

A No. First, TECo has not provided any support in this proceeding that would demonstrate that the proposed FGD system would create potentially stranded costs or that TECo has any stranded cost. Second, stranded costs would only occur if and when generation is completely deregulated. In other words, stranded costs are only revealed by competition. It is my understanding that there are no proposals either before the Legislature or this Commission to deregulate generation. Third, the current net book value of the Big Bend Units 1 and 2 is around $120/kW. Even with the addition of the FGD, the net book value would increase to only $228/kW. This is well below the cost of new combined cycle gas turbine (CCGT) generation.

**Q HOW DID YOU DEVELOP YOUR AMORTIZATION PERIOD OF 20 YEARS?**

A TECo Exhibit No. ___ (TLH-1), Document 2, Tampa Electric Company CAAA Phase II Compliance, dated May 1998, provides the results of the analysis TECo employed to select the Big Bend 1 and 2 FGD system. Table 2-3 (page 15) of that filing provides a description of the preliminary screening cost assumptions that were used in

evaluating various capital cost options. Included in this table is an estimate of the book life for the Big Bend 1 and 2 FGD system that was selected as the economic alternative. The book life that was assumed for the screening is 30 years. This type of equipment can be expected to have a 30-year service life per TECo's Exhibit.

In addition, the remaining life of Big Bend Units 1 and 2 should exceed the ten years that is used to amortize the FGD system. Unit 2 was placed in service in 1970 and Unit 2 was placed in service in 1973. It is reasonable to expect these units to have a total life span of at least 50 years. Assuming the FGD system goes into service in mid 2000, it is reasonable to assume that these units will have a remaining life of at least 20 years. In response to FIPUG's First Set of Interrogatories, Nos. 13 and 18, TECo stated that the average remaining lives of Big Bend Units 1 and 2 are 20 and 21 years, respectively.

Therefore, I believe the FGD system investment should be amortized over a life no shorter than 20 years. With life spans of steam production units, it is possible that the FGD system could realize the 30-year life used in the screening process.

Q **(ISSUE 14) WHAT IS THE APPROPRIATE DEPRECIATION RATE FOR THE PROPOSED FGD SYSTEM ON BIG BEND UNITS 1 AND 2?**

A The appropriate depreciation rate would depend on the projected life of Big Bend Units 1 and 2 and whether or not any portion of this investment would continue to be used and useful beyond the economic life of these units.

Q **IF THE COMMISSION ESTABLISHES A DEPRECIATION RATE FOR THE PROPOSED FGD SYSTEM FOR BIG BEND UNITS 1 AND 2, WHAT SHOULD BE THE RATE?**

A Although setting a depreciation rate in this docket would be premature, the period the Commission selects to amortize the investment for the FGD system should also be used to depreciate the units for book depreciation purposes.

Q **WHAT ACTION DO YOU RECOMMEND THE COMMISSION TAKE ON TECO'S PETITION?**

A The Company's request for cost recovery through the Environmental Cost Recovery Clause (ECRC) is premature and should be denied. However, if the Commission authorizes recovery of the FGD costs through the ECRC in this case, the recovery period should be set at

a minimum of 20 years, the rate of return on common equity should be set at the low end of the Commission-approved range and a cap should be established for the amount of equity included in the capital structure that is used to develop the ECRC surcharges.

**Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

A Yes.

WITNESS: SELECKY
EXHIBIT NO. ___ (JTS-1)

# TAMPA ELECTRIC COMPANY

## Capital Structure at 12/31/97

| Line | Description | Adjusted Balance (1) | Ratio (a) (2) | Ratio (b) (3) |
|---|---|---|---|---|
| 1 | Long-Term Debt | $637,963 | 34.1% | 36.2% |
| 2 | Short-Term Debt | $107,241 | 5.7% | N/A |
| 3 | Preferred Stock | $10,624 | 0.6% | 0.6% |
| 4 | Common Equity | $1,115,286 | 59.6% | 63.2% |
| 5 | **Total** | **$1,871,114** | **100.0%** | **100.0%** |

(a) Including Short-term Debt

(b) Excludes Short-term Debt

Source: 1997 Earnings Surveillance Report, Attachment A

## QUALIFICATIONS OF JAMES T. SELECKY

**Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A James T. Selecky. My business mailing address is P. O. Box 412000, St. Louis, Missouri 63141-2000.

**Q PLEASE STATE YOUR OCCUPATION.**

A I am a consultant in the field of public utility regulation and am a principal in the firm of Brubaker & Associates, Inc., energy, economic and regulatory consultants.

**Q PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EMPLOYMENT EXPERIENCE.**

A I graduated from Oakland University in 1969 with a Bachelor of Science degree with a major in Engineering. In 1978 I received the degree of Master of Business Administration with a major in finance from Wayne State University. I have also done graduate work in the field of economics at Wayne State University.

I was employed by The Detroit Edison Company (DECo) in April of 1969 in its Professional Development Program. My initial assignments were in the engineering and operations divisions where my responsibilities included evaluation of equipment for use on the distribution and transmission system; equipment performance testing under field and laboratory conditions; and trouble-shooting and equipment testing at various power plants throughout the DECo

system. I also worked on system design and planning for system expansion.

In May of 1975, I transferred to the Rate and Revenue Requirement area of DECo. From that time, and until my departure from DECo in June, 1984, I held various positions which included economic analyst, senior financial analyst, supervisor of Rate Research Division, supervisor of Cost-of-Service Division and director of the Revenue Requirement Department. In these positions, I was responsible for overseeing and performing economic and financial studies and book depreciation studies, developed fixed charge rates and parameters and procedures used in economic studies, providing a financial analysis consulting service to all areas of DECo, developing and designing rate structure for electrical and steam service, analyzing profitability of various classes of service and recommending changes therein, determining fuel and purchased power adjustments and all aspects of determining revenue requirements for rate-making purposes.

In June of 1984, I joined the firm of Drazen-Brubaker & Associates, Inc. In April, 1995 the firm of Brubaker & Associates, Inc. (BAI) was formed. It includes most of the former DBA principals and staff.

Q **HAVE YOU PREVIOUSLY APPEARED BEFORE A REGULATORY COMMISSION?**

A Yes. I have testified on behalf of DECo in its steam heating cases. In these cases I have testified to changes in book depreciation rates, rate design and revenue deficiency. I also testified in a DECo main electric rate case on rate base, income statement adjustments and interim and final revenue deficiencies.

In addition, I have testified before the regulatory commissions of the States of Colorado, Connecticut, Georgia, Illinois, Indiana, Kansas, Maryland, Massachusetts, Missouri, New Hampshire, New Jersey, New York, North Carolina, Ohio, Oklahoma, Texas, Wisconsin and Wyoming, and the Provinces of Saskatchewan and Alberta. I also have testified before the Federal Energy Regulatory Commission. In addition, I have filed testimony in proceedings before the regulatory commissions in the States of Iowa and New York. My testimony has addressed revenue requirement issues, cost of service, rate design, financial integrity, accounting-related issues, merger-related issues, and performance standards. The revenue requirement testimony has addressed book depreciation rates, decommissioning expense, O&M

expense levels, and rate base adjustments for items such as plant held for future use, working capital, and post test year adjustments.

**Q ARE YOU A REGISTERED PROFESSIONAL ENGINEER?**

A Yes, I am a registered professional engineer in the State of Michigan, based upon state examinations.

## CERTIFICATE OF SERVICE

**I HEREBY CERTIFY** that a true and correct copy of the foregoing **Direct Testimony and Exhibit of James T. Selecky On Behalf of the Florida Industrial Power Users Group** was furnished by hand delivery (*) or U.S. Mail to the following this **27th** day of **July, 1998**:

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