BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Tampa Electric Company.	DOCKET NO. 080317-EI ORDER NO. PSC-09-0033-PHO-EI ISSUED: January 16, 2009

Pursuant to Notice and in accordance with Rule 28-106.209, Florida Administrative Code (F.A.C.), a Prehearing Conference was held on January 7, 2009, in Tallahassee, Florida, before Commissioner Nathan A. Skop, as Prehearing Officer.

APPEARANCES:

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On behalf of Tampa Electric Company (TECO)

PATTY CHRISTENSEN, ESQUIRE, Office of Public Counsel, c/o The Florida Legislature, 111 W. Madison Street, Room 812, Tallahassee Florida 32399-1400
On behalf of the Office of Public Counsel (OPC)

CECILIA BRADLEY, ESQUIRE, Office of the Attorney General, The Capitol, PL-01, Tallahassee, Florida 32399-1050
On behalf of the Citizens of Florida (OAG)

MICHAEL B. TWOMEY, ESQUIRE, P.O. Box 5256, Tallahassee, Florida 32314-5256
On behalf of AARP

JON MOYLE, JR. and VICKI GORDON KAUFMAN, ESQUIRES, Keefe Anchors Gordon & Moyle, P.A., 118 North Gadsden Street, Tallahassee, Florida 32312 and JOHN W. MCWHIRTER, JR., ESQUIRE, P.O. Box 3350, Tampa, Florida 33601-3350
On behalf of the Florida Industrial Power Users Group (FIPUG)

ROBERT SCHEFFEL WRIGHT and JOHN T. LAVIA, III, ESQUIRES, Young van Assenderp, P.A., 225 South Adams Street, Suite 200, Tallahassee, Florida 32301
On behalf of the Florida Retail Federation (FRF)

KEINO YOUNG, MARTHA CARTER BROWN, and JEAN HARTMAN, ESQUIRES, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850
On behalf of the Florida Public Service Commission (Staff)

PREHEARING ORDER

I. CASE BACKGROUND

On August 11, 2008, pursuant to Section 366.06, Florida Statutes (F.S.), and Rules 25-6.0425 and 25-6.043, F.A.C., Tampa Electric Company (TECO) filed a Petition for permanent increase in its base rates and miscellaneous service charges. Accordingly, in compliance with Section 366.06(2), F.S., the evidentiary hearing in this matter will be held on January 20, 21, and 27-30, 2009.

This Order is issued pursuant to the authority granted by Rule 28-106.211, F.A.C., which provides that the presiding officer before whom a case is pending may issue any orders necessary to effectuate discovery, prevent delay, and promote the just, speedy, and inexpensive determination of all aspects of the case.

II. CONDUCT OF PROCEEDINGS

Pursuant to Rule 28-106.211, F.A.C., this Prehearing Order is issued to prevent delay and to promote the just, speedy, and inexpensive determination of all aspects of this case.

III. JURISDICTION

This Commission is vested with jurisdiction over the subject matter by the provisions of Chapter 366, F.S. This hearing will be governed by said Chapter and Chapters 25-6, 25-22, and 28-106, F.A.C., as well as any other applicable provisions of law.

IV. PROCEDURE FOR HANDLING CONFIDENTIAL INFORMATION

Information for which proprietary confidential business information status is requested pursuant to Section 366.093, F.S., and Rule 25-22.006, F.A.C., shall be treated by the Commission as confidential. The information shall be exempt from Section 119.07(1), F.S., pending a formal ruling on such request by the Commission or pending return of the information to the person providing the information. If no determination of confidentiality has been made and the information has not been made a part of the evidentiary record in this proceeding, it shall be returned to the person providing the information. If a determination of confidentiality has been made and the information was not entered into the record of this proceeding, it shall be returned to the person providing the information within the time period set forth in Section 366.093, F.S. The Commission may determine that continued possession of the information is necessary for the Commission to conduct its business.

It is the policy of this Commission that all Commission hearings be open to the public at all times. The Commission also recognizes its obligation pursuant to Section 366.093, F.S. to protect proprietary confidential business information from disclosure outside the proceeding. Therefore, any party wishing to use any proprietary confidential business information, as that term is defined in Section 366.093, F.S., at the hearing shall adhere to the following:

(1) When confidential information is used in the hearing, parties must have copies for the Commissioners, necessary staff, and the court reporter, in red envelopes clearly marked with the nature of the contents and with the confidential information highlighted. Any party wishing to examine the confidential material that is not subject to an order granting confidentiality shall be provided a copy in the same fashion as provided to the Commissioners, subject to execution of any appropriate protective agreement with the owner of the material.

(2) Counsel and witnesses are cautioned to avoid verbalizing confidential information in such a way that would compromise confidentiality. Therefore, confidential information should be presented by written exhibit when reasonably possible.

At the conclusion of that portion of the hearing that involves confidential information, all copies of confidential exhibits shall be returned to the proffering party. If a confidential exhibit has been admitted into evidence, the copy provided to the court reporter shall be retained in the Office of Commission Clerk's confidential files. If such material is admitted into the evidentiary record at hearing and is not otherwise subject to a request for confidential classification filed with the Commission, the source of the information must file a request for confidential classification of the information within 21 days of the conclusion of the hearing, as set forth in Rule 25-22.006(8)(b), F.A.C., if continued confidentiality of the information is to be maintained.

V. PREFILED TESTIMONY AND EXHIBITS; WITNESSES

Testimony of all witnesses to be sponsored by the parties (and Staff) has been prefiled and will be inserted into the record as though read after the witness has taken the stand and affirmed the correctness of the testimony and associated exhibits. All testimony remains subject to timely and appropriate objections. Upon insertion of a witness' testimony, exhibits appended thereto may be marked for identification. Each witness will have the opportunity to orally summarize his or her testimony at the time he or she takes the stand. Summaries of testimony shall be limited to five minutes.

Witnesses are reminded that, on cross-examination, responses to questions calling for a simple yes or no answer shall be so answered first, after which the witness may explain his or her answer. After all parties and Staff have had the opportunity to cross-examine the witness, the exhibit may be moved into the record. All other exhibits may be similarly identified and entered into the record at the appropriate time during the hearing.

The Commission frequently administers the testimonial oath to more than one witness at a time. Therefore, when a witness takes the stand to testify, the attorney calling the witness is directed to ask the witness to affirm whether he or she has been sworn.

VI. ORDER OF WITNESSES

As a result of discussions at the prehearing conference, some witnesses may be excused from this hearing if no Commissioner assigned to this case seeks to cross-examine a particular witness. Parties shall be notified as to whether any such witness shall be excused from the hearing. The testimony of excused witnesses (if any) will be inserted into the record as though read, and all exhibits submitted with those witnesses' testimony, as shown in Section IX of this Prehearing Order, shall be identified and admitted into the record. Each witness whose name is followed by a plus sign (+) may be taken out of order. Each witness whose name is followed by an asterisk (*) will present their direct and rebuttal testimony at the same time.

Witness	Proffered By	Issues #
Direct		
Charles R. Black	TECO	3, 80
Gordon L. Gillette*	TECO	29-38, 76
Susan D. Abbott*	TECO	32
Donald A. Murry, Ph.D.	TECO	37
Lorraine L. Cifuentes	TECO	2, 40, 81
Mark J. Hornick*	TECO	5, 7, 15, 53, 54, 56, 69, 71, 72
Joann T. Wehle*	TECO	21-24
Regan B. Haines*	TECO	3, 51, 55, 62, 66-68, 112
Dianne S. Merrill*	TECO	48-50, 52
Edsel L. Carlson, Jr.	TECO	16, 59
Steven P. Harris*	TECO	16, 59
Alan D. Felsenthal*	TECO	29, 30, 77
Jeffery S. Chronister*	TECO	1, 4-20, 25-28, 39, 41-50, 52, 57-65, 70-75, 77-81, 85, 112, 113
William R. Ashburn*	TECO	42-45, 81-111
Dr. J. Randall Woolridge	OPC	31-38

Witness	Proffered By	Issues #
Hugh Larkin, Jr.	OPC	5-11, 13-16, 18, 19, 21-24, 27, 41, 56, 59, 64, 70-75, 77, 79, 112
Helmuth W. Schultz, III	OPC	26, 29, 30, 41, 48, 50, 52-55, 61, 63, 65-68
Stephen A. Stewart	AARP	16, 59
Tom Herndon	FIPUG/FRF	35, 36, 37
Jeffry Pollock +	FIPUG	2, 39, 41, 52, 63, 69, 78, 80, 83, 84, 86, 87, 88, 101, 103, 104, 107, 108, 112
Kevin W. O'Donnell	FRF	29-31, 33-38, 63
Rebuttal		
Gordon L. Gillette	TECO	29-38 , 76
Susan D. Abbott	TECO	32, 34
Donald A. Murry, Ph.D.	TECO	37
Mark J. Hornick	TECO	5, 7, 15, 53, 54, 56, 69, 71, 72
Joann T. Wehle	TECO	7, 21-24, 72
Regan B. Haines	TECO	3, 51, 55, 62, 66-68, 112
Dianne S. Merrill	TECO	48-50, 52
Steven P. Harris	TECO	16, 59
Alan D. Felsenthal	TECO	29, 30, 77
Jeffery S. Chronister	TECO	1, 4-20, 25-28, 39, 41-50, 52, 57-65, 70-75, 77-81, 85, 112, 113
William R. Ashburn	TECO	42-45, 81-111

VII. BASIC POSITIONS

TECO: **Rate Relief Requested**

After extensive and careful analysis, Tampa Electric is requesting approval by the Commission for an increase of $228.2 million in retail base rates and service charges effective on and after May 1, 2009, based on a 2009 projected test year. This increase is designed to cover Tampa Electric's cost of service and afford the company an opportunity to earn a compensatory return on its investment, including a fair return on equity of 12.00 percent with a range of 11.00 to 13.00 percent.

Efforts to Forestall a Request for Rate Relief

Tampa Electric has made significant efforts to control expenditures and avoid as long as possible the need for higher rates. The company's primary goal has been to furnish safe and reliable electric service at the lowest possible cost over the long term. While this goal is simple to state, it is difficult to achieve. Tampa Electric is constantly challenged by changes in the economy, shifting needs of its customers and variations in weather. In addition, the company is challenged by the ever-increasing need to protect the environment and comply with new laws and regulations. Notwithstanding these challenges, Tampa Electric has been particularly successful in its efforts to avoid the need for permanent rate relief. The company has met its challenges by investing billions of dollars in new generation facilities, new environmental equipment, transmission and distribution facilities, and other infrastructure necessary to meet the increases in demand from a growing customer base. Tampa Electric has done all of this without increasing its base rates since its last proceeding in 1992.

Over the past 16 years and through year-end 2009, the company will have invested more than $1.7 billion in the construction of new generating capacity and more than $1.5 billion in the expansion of the company's transmission and distribution system. During this same period of time, the consumer price index has increased by 48 percent. Notwithstanding these huge investments and the steady march of inflation, the company has been able to avoid a rate increase largely because of numerous Tampa Electric initiatives. One such key initiative has been the company's strong focus on controlling operation and maintenance ("O&M") expenses. Since its last rate case, the company has succeeded in maintaining its total O&M costs under the Commission's benchmark while customer growth increased by 42 percent during the same time frame. Tampa Electric's projected 2009 total O&M expenses remain below the Commission's benchmark and the company continues to pursue efficiency improvements and cost reductions in all aspects of its operations.

The performance of Tampa Electric's generating units has also played a major role in its ability to control its need for a base rate increase. The company has improved the performance and availability of its existing generating units. Some of these improvements have provided, in effect, additional generation at a relatively low cost compared to the costs of constructing new and more expensive units. In addition, Tampa Electric has continued to provide aggressive demand side management programs to its customers. These programs have resulted in deferring the need for approximately 660 megawatts of winter generating capacity, which is the equivalent of almost four simple cycle power plants.

Unfortunately, Tampa Electric is now at a point in time where its focus on efficiency and cost reduction is no longer sufficient to cover the company's cost to provide service. When the company filed its 2008 forecasted surveillance report with the Commission in March 2008, it reflected an expected 9.40 percent return on equity, which is well below the bottom of Tampa Electric's authorized range. Actual results are even lower. In its October 2008 surveillance report, the company reported an expected year-end return on equity of 8.34 percent. For 2009, without the revenue requirements being sought, Tampa Electric expects its return on equity to be near four percent. Tampa Electric's customers benefit from being served by a financially solid electric utility with access to capital markets, as needed, to fund a robust and necessary capital program going forward at prices that minimize impacts to customers. Access to capital markets may be more critically important now than it has been in the company's entire history. In addition to investing in an infrastructure necessary to provide basic electric service, the utility industry is staring at mandates to invest in cleaner generating resources, including renewables, and to meet more stringent reliability standards. These types of investments require significant capital and a projected return on equity near four percent for 2009 will not allow for access to the capital markets. It is not in the best interest of the customers we serve or the shareholders and lenders who provide the necessary capital to enable the company to provide essential services. Being unable to access capital markets and fund company needs can only increase costs, decrease reliability and eventually result in higher costs to customers.

Tampa Electric has carefully evaluated all options before making this request. While the company is keenly aware of the impacts that a price increase has on its customers, it has no other option but to file this request. In the meantime, it remains committed to serve its customers reliably and safely while continuing to implement efficiencies and other prudent cost cutting measures that minimize the need for higher rates.

Causes for the Company's Need for Rate Relief

Significant cost drivers that have resulted in the need for a base rate increase include the following:

Generation

From 1992 through 2007, Tampa Electric has added approximately 1,400 MW of generation to meet its growing customer demand. Tampa Electric currently serves a retail peak load of more than 4,100 megawatts (MW) compared to almost 2,800 MW served in 1992. As Florida's population has grown, Tampa Electric has expanded its system to meet those needs. Today, Tampa Electric serves nearly 667,000 customers, almost 200,000 or 42 percent more customers than in 1992. Its system consists almost exclusively of coal and natural gas generation. Polk Unit 1, placed in service in 1996, is an integrated gasification combined cycle power plant that has been named the cleanest coal-fired unit in North America. Polk Units 2 and 3, both simple cycle combustion turbines, were placed into service in 2000 and 2002, respectively. Polk Units 4 and 5 (also simple cycle combustion turbines) were placed into service in 2007. In addition, as part of a comprehensive environmental settlement with federal and state agencies, the Gannon coal-fired generation assets were repowered into the Bayside Power Station, a gas-fired combined cycle plant completed in 2004. Although all of these generation additions were determined to be the lowest cost resources to meet customers' needs, these investments have resulted in incremental costs above incremental revenue to Tampa Electric's system. Consequently, one of the major factors underlying the need for a change in base rates is these generation investments.

Within the next 12 months, Tampa Electric will have constructed five simple cycle combustion turbines to meet system peaking and reliability needs. It will also have constructed a rail facility at its Big Bend Station to enable the company to add a second mode of transportation for solid fuel deliveries. These investments will provide cost savings to customers by way of lower fuel costs. While the company has experienced lower customer growth and energy sales slowdowns for the past two years, it must remain focused on its ten-year generation expansion plan to ensure it can cost-effectively meet customer demands for the next decade and beyond.

Transmission and Distribution

By year-end 2009, Tampa Electric will have invested $1.5 billion to construct and maintain its transmission and distribution ("T&D") infrastructure since its last rate case. In addition, significant capital investment in new T&D infrastructure is required for Tampa Electric to continue to meet its obligation to serve at the high degree of reliability customers expect while meeting the new system hardening requirements implemented by the Commission after Florida's active 2004 and 2005 hurricane seasons. Based on recent Florida Reliability Coordinating Council ("FRCC") transmission studies, there are also significant investment requirements planned for the next ten years. Tampa Electric expects to build over

100 miles of 230kV transmission lines during this period necessitated by hardening of the existing infrastructure, new generation in the state and FRCC study impacts. Also, the Federal Energy Regulatory Commission and North American Electric Reliability Corporation have recently instituted more stringent requirements in an effort to strengthen and secure the nation's electric power grid. These requirements, which are expected to increase as they evolve, have created new capital and O&M pressures on the company.

Tampa Electric has continued to invest in its distribution system as well. Besides normal customer growth that necessitates investment in new distribution infrastructure, the company has been required to continue on-going maintenance as the system ages. Additionally, following the active hurricane seasons of 2004 and 2005, Tampa Electric committed to an aggressive and prudent hardening plan that requires significant capital and O&M expenditures to comply with its Commission-approved plan. Its system investments have proven themselves; the company's reliability performance consistently ranks in the top quartile among utilities according to annual Edison Electric Institute and Southern Company Consortium benchmark reports.

Customer Demand

While Tampa Electric has enjoyed strong customer growth since its last base rate change, customer growth is almost non-existent today and it is not expected to significantly improve for a few years. This historic healthy growth enabled the company to manage its correspondingly growing costs of operations without seeking base rate increases. Over the years, although factors such as increased conservation, improvements in appliance efficiencies and increasing energy prices resulted in lower consumption, it was largely offset by the increasing size of new homes and the increasing saturation of electronic appliances and other electric equipment. The company's 2009 demand and energy forecast includes the impacts of Tampa Electric's recently approved new and modified demand side management programs as well as higher appliance efficiency trends associated with the Energy Policy Act of 2005.

Operations and Maintenance Expenses

For years, Tampa Electric has worked to control its O&M expenses despite steady growth in demand and the number of customers served, and while maintaining high levels of service reliability and customer service. Total non-fuel operating expenses for 2009 are expected to exceed $700 million. Tampa Electric's costs are expected to continue to increase due to the cumulative effects of inflation, customer growth and operational requirements even though it has experienced a slowdown over recent months. Major factors impacting O&M expenses include: employee benefit costs, driven primarily by healthcare costs; depreciation expense; system hardening expense; storm reserve expense; and federal and state compliance costs.

Environmental Commitments

Between November 1999 and December 2000, the U. S. Department of Justice, acting on behalf of the Environmental Protection Agency filed lawsuits against eight utility companies, including Tampa Electric, affecting 106 generating units for perceived violations of New Source Review, a complex program created by various provisions of the Federal Clean Air Act. While Tampa Electric contended it had not violated any requirements, it decided the best outcome for customers, the environment and the company was to take early definitive action to significantly lower its emissions and thereby resolve the dispute. The company settled with the environmental agencies and began implementing a comprehensive program to dramatically decrease emissions from the company's coal-fired power plants. Tampa Electric was the first utility in the country to resolve these types of environmental issues raised by these agencies.

The company's commitment to reduce emissions included the installation of flue gas desulfurization systems, also known as scrubbers, and selective catalytic reduction equipment ("SCRs") for NO_x reductions, and the repowering of the coal-fired Gannon Station to natural gas. The total estimated costs for these projects are about $1.2 billion. While much of the environmental control systems are being recovered through the Environmental Cost Recovery Clause, the repowering of Gannon Station is not being recovered through the ECRC nor is it being recovered in current rates. The Gannon Station repowering represents about $750 million of the total commitment to reduce emissions.

As a result of the company' significant environmental investment, these projects have resulted in the reduction of SO_2, NO_x and particulate matter ("PM") emissions by 93 percent, 60 percent and 77 percent, respectively, below 1998 levels. In total, by 2010 when the last SCR is installed, Tampa Electric's system-wide emission reduction initiatives will result in the reduction of SO_2, NO_x and PM by 90 percent, 90 percent and 72 percent, respectively. Tampa Electric is extremely proud of these accomplishments and recognizes the benefits they provide to customers and the citizens of Florida.

The Company's Proposed Rate Design

Tampa Electric's proposed rates and service charges are designed to produce the company's requested additional revenues of $228.2 million. The company is proposing several changes to its rate schedules to more accurately reflect the cost of providing services to various customer classes. Cost of service is a major consideration in the rate design as well as revenue stability and continuity.

For residential customers, the company is proposing a two-block, inverted base energy rate with the break-point at 1,000 kWh and a one cent per kWh differential between the two blocks rather than its current flat base energy rate. The higher rate above 1,000 kWh provides an appropriate price signal to customers regarding their energy usage and it can serve as a means for encouraging energy conservation. To optimize this conservation-oriented rate design and further motivate customers, the company requested and the Commission recently approved a similar rate structure for the fuel factor.

In addition, the company is proposing the continuation of the residential RSVP rate, a critical peak pricing conservation program known as Energy Planner. Energy Planner allows customers to make energy consumption decisions based on near real-time energy prices by using a programmable "smart" thermostat provided by the company. Both the RSVP and inverted rate designs reinforce state-wide efforts to educate consumers regarding their energy consumption while sending price signals that emphasize the monetary benefits of energy conservation. For commercial and industrial customers, the company is proposing to combine all demand-billed customers into a single rate schedule with cost-effective options for those that elect to be subject to service interruption. The company has updated its customer charges and service charges to better reflect cost of service and to provide more customer-oriented services such as new customer service connect options.

Finally, the company is proposing a Transmission Base Rate Adjustment ("TBRA"), an innovative cost recovery mechanism designed to facilitate a cost effective means of regional planning and transmission construction that benefits customers through lower fuel costs. With enhanced reliability mandates and the nature of regional planning, transmission investment can be volatile and unpredictable making the TBRA appropriate and necessary.

The Current Economic Times

Tampa Electric, and each and every one of the company's employees, is acutely aware of the economic turmoil in which we find ourselves, from global, national, state and local perspectives. This application for a rate increase was assembled over a period of time that saw daily declines in all indices of economic health and well-being. Weighing against Tampa Electric's demonstrated reluctance to seek rate relief, especially under these circumstances, is the company's duty as an investor-owned electric public utility to meet its customers' needs, expectations and statutory right to continue receiving safe, reliable and cost-effective electric service. This decision was difficult, but one that could not be shelved or otherwise ignored.

A number of good things were said about Tampa Electric in the service hearings in this case. They demonstrate that Tampa Electric is devoted to its customers and is willing to make positive service commitments to them and the communities we serve. Tampa Electric trusts that its application for rate relief is recognized as necessary to enable the company to continue meeting its commitment and obligation to serve its customers.

OPC: Tampa Electric Company's ("Tampa Electric" and "Company") base rate increase of $228 million is grossly overstated. Moreover, the Company's request for a 12.0% return on equity is excessive particularly in today's economy. Close scrutiny of the Company's MFRs shows that only approximately $38.6 million is needed for Tampa Electric to earn a fair rate of return on rate base and to meet operation and maintenance expenses.

As stated above, Tampa Electric's requested return on equity of 12.0% is extremely inflated and unsupported by current market conditions. Under today's market conditions a 9.75% return on equity is reasonable and the correct ROE for this Company as of November 26, 2008. Utilizing the 9.75% ROE, the reasonable and supported overall fair rate of return is 7.33%.

In addition to the cost of capital adjustments to the Company's request, numerous adjustments are warranted to the Company's projected 2009 test year rate base and operating expense. Tampa Electric has significantly overstated certain amounts which if left uncorrected would result in customers paying rates in excess of rates that would be reasonable and necessary to provide safe and reliable service. The Company has also failed to provide documentation sufficient to support the amounts of its requests or the need for the requested items, or both. In addition, Tampa Electric's request to establish a Transmission Base Rate Adjustment mechanism should be denied. There is no need to remove these costs from base rates and create another recovery clause. This request will, in effect, reduce the Company's risk to plan and properly build transmission facilities and provides no benefit to ratepayers.

Based on the adjustments to rate base, cost of capital, and operation and maintenance expense discussed below an overall reduction to Tampa Electric's request of $189 million is warranted. Citizen's adjustments are discussed in detail below.

OAG: We adopt the positions of Public Counsel.

AARP: 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 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.

FIPUG: **ROE**

In this case, TECO seeks to increase rates by over $228 million. A significant portion of this increase is due to TECO's request for a 12% return on equity (ROE). Given the current financial situation, this request should be rejected outright.

As explained in the testimony of Mr. Herndon, given the favorable regulatory treatment given Florida utilities as well as the fact that TECO collects billions of dollars outside of base rates through guaranteed cost recovery clauses, 12% is excessive. Further, TECO, in contrast to businesses which must compete in the open market, is a monopoly with a captive customer base. All these things greatly reduce its risk and indicate that an ROE of 7.5% is sufficient to allow it to access capital markets and serve its customers. FIPUG does not agree with any position that advocates a higher authorized ROE.

Revenue Reductions

FIPUG does not have the resources to address the many revenue areas raised in TECO's testimony and has filed testimony only in selected areas; this does not mean that FIPUG supports the other increases TECO has requested or believes that TECO has appropriately met its burden as to those requests.

FIPUG recommends that $17.5 million in reductions be made to reflect the removal of abnormally high expenses for plant outages, to provide for a five-year amortization of actually incurred rate case expense, and to exclude incentive compensation related to the achievement of financial goals which do not benefit ratepayers.

Cost of Service

In this area, FIPUG urges the Commission to:

1. Reject TECO's class cost-of-service study and rate design and maintain the current separate homogeneous (GSLD and IS) customer classes, classify the Big Bend scrubber and Polk gasifier costs to demand, reject the 12CP-25% AD method (which has never been approved by this Commission) and apply the Commission-approved 12CP-1/13th AD method of allocation, and treat interruptible customers as firm for both pricing and costing purposes;

2. Revise TECO's proposed class revenue allocation to follow FIPUG's revised class cost-of-service study and move all rates to cost (*i.e.,* parity);

3. Utilize a firm rate design where demand and energy-related costs are recovered in demand and energy charges, respectively, and appropriate credits are provided to customers taking service at higher voltages;

4. Adopt an interruptible rate design that will provide greater stability, by recognizing that interruptible customers receive a lower quality of service from TECO, that TECO's reserve margin is maintained for the benefit of firm customers, and that the load factor of interruptible customers enables TECO to better utilize its capacity for the benefit of all customers. The Commission should further recognize that there is a ceiling on the rates that can be charged to large customers engaged in competitive enterprises which have a limited ability to absorb power costs and have the capability to provide their own generation; and

5. Reject the fifth piecemeal cost recovery clause, the Transmission Base Rate Adjustment factor, which is not needed, would unnecessarily shift risk to ratepayers, and would allow TECO to over-recover certain transmission rate base additions.

FRF: Tampa Electric Company's requested rate increase of $228.2 million per year in additional base rate revenues is excessive and contrary to the public interest. As explained by various witnesses who are testifying on behalf of the consumers whom Tampa Electric is asking to bear this unreasonable burden, the Commission should grant the Company at most an increase of approximately $39 million per year (with the specific amount determined in accordance with the positions of the consumers' witnesses on the specific issues below). Any greater increase would result in Tampa Electric's rates being unfair, unjust, unreasonable, and contrary to the public interest.

Tampa Electric's requested rate of return on common equity, an after-tax return of 12.0%, is unfair, unreasonable, and excessive in that it is not representative of current capital market conditions, and far greater than is justified by the minimal risks that the Company faces. Indeed, according to a report by the Commission, in 2007 the Company recovered 57% of its total revenues through cost recovery clauses and 64% of its annual expenses through cost recovery clauses, which demonstrates the very low risks that Tampa Electric faces as a monopoly provider of a necessity. Moreover, in today's economy when many individuals and businesses are struggling to keep their homes and pay their utility bills, Tampa Electric's request is excessive and if granted, would harm Floridians and Florida's economy. The appropriate return on common equity is between 7.5% and 9.75%.

The Company's requested capital structure is not appropriate as a basis for setting the Company's rates, because it is not representative of the manner in which Tampa Electric finances its rate base investment: the ultimate source of a substantial amount of the Company's claimed common equity investment is long-term debt financing. The Commission should disallow the Company's attempt to leverage low-cost debt financing obtained by Tampa Electric's parent company, TECO Energy, Inc., into alleged high-cost equity financing, with the burden falling on the backs of the Company's captive customers.

Tampa Electric has also requested numerous expense items that should be disallowed in part or in total. Those expense items are identified in the FRF's positions on specific issues.

STAFF: Staff's positions are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the parties in preparing for the hearing. Staff's final positions will be based upon all the evidence in the record and may differ from the preliminary positions.

VIII. ISSUES AND POSITIONS

TEST PERIOD

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

POSITIONS

TECO: Yes. The period January 1, 2009 through December 31, 2009 is appropriate for setting rates because it best represents expected future operations. (Chronister)

OPC: No position.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: No position.

FRF: No position.

STAFF: Yes. TECO's projected test period of the 12 months ending December 31, 2009 is the appropriate test year to be utilized in this docket with appropriate adjustments.

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

POSITIONS

TECO: Yes. TECO's forecast of customer growth, energy sales and peak demand are appropriate. TECO uses proven forward-looking econometric models and relies on reasonable assumptions in developing its forecasts. (Cifuentes)

OPC: No position.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: No position.

FRF: No position.

STAFF: No position at this time.

QUALITY OF SERVICE

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

POSITIONS

TECO: Yes. TECO has delivered quality generation, transmission and distribution ("T&D") reliability service and customer service. The company has achieved top quartile T&D reliability results since 2002 when compared with peer utilities. (Haines, Hornick, Black)

OPC: No position.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: No position.

FRF: No.

STAFF: No position at this time.

RATE BASE

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

POSITIONS

TECO: Yes. Except for the adjustment described in Issue 19 below, the company has removed all non-utility activities from rate base. (Chronister)

OPC: No.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: No.

FRF: Agree with OPC.

STAFF: Yes. Except for the adjustment described in Issue 19 below, the company has removed all non-utility activities from rate base.

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?

POSITIONS

TECO: Yes. Consistent with past Commission decisions, TECO appropriately included $36,125,000 and $94,562,000 in rate base and reduced NOI by $2,352,000 and $4,864,000, for the May and September units, respectively. The units are not revenue-producing or growth-related, but will serve the demand of customers during peak periods and will improve system reliability. (Chronister, Hornick)

OPC: No. Annualizations of plant additions should not be allowed when plant additions are revenue-producing or growth-related assets designed to increase the Company's ability to generate, transmit and deliver additional kilowatt hours of generation. If the Commission allows an adjustment for revenue-producing plant that increases capacity without an adjustment to recognize the increased customers and/or demand, this will overstate the revenue requirements used to create the rates charged to customers. Two of the combustion turbines are to be added in May 2009 and three in September 2009. Thus, the Company's request to annualize the five simple cycle turbines should be denied. A reduction of $130,687,000 to the Company's rate base to reflect the actual in-service dates of the CTs is warranted. (Larkin)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Agree with OPC.

FRF: No. Agree with OPC on the appropriate reductions to rate base.

STAFF: No. Plant in Service should be reduced by $134,439,000 ($139,587,000 system) and Accumulated Depreciation should be reduced by $3,752,000 ($3,896,000 system). The net rate base decrease is $130,687,000 ($135,691,000 system). See Issue 71 for NOI adjustment.

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

POSITIONS

TECO: No. TECO has properly accounted for the Big Bend Rail Project. The credit is specifically associated with the rail facilities. TECO proposes to use the credit to first offset capital costs associated with the facilities in excess of those granted in base rates in this proceeding with any remainder being credited to customers through the Fuel and Purchase Power Cost Recovery Clause. (Wehle, Chronister)

OPC: Yes. (Larkin)

OAG: We adopt the positions of Public Counsel.

AARP: Yes.

FIPUG: Yes.

FRF: Yes.

STAFF: No position at this time.

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?

POSITIONS

TECO: Yes. Consistent with past Commission decisions, TECO appropriately included $44,754,000 in rate base and reduced NOI by $1,195,000. Consistent with Order PSC-04-0999-FOF-EI, TECO contracted for bimodal transportation for solid fuels to optimize costs. The rail facilities will be completed in December 2009 for testing and deliveries will begin in January 2010. (Chronister, Wehle, Hornick)

OPC: No. The Big Bend Rail Project is projected to go into service December 2009. The benefit to customers from the rail project can only be a reduction in fuel costs. By annualizing the rail facility for the entire 2009 test year when it will have been in service for a month or less, would allow the Company to earn a return as if the lower fuel costs did not exist in the future periods. Annualization of the rail facility further violates basic ratemaking by ignoring the productive benefit of the facility to the Company when it is fully in service by burdening ratepayers with the carrying costs and allowing the benefits to fall only to the shareholder. A reduction of $44,754,000 to the Company's rate base to reflect the actual in-service date of the rail project is warranted. (Larkin)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Agree with Office of Public Counsel.

FRF: No. TECO's proposed annualization is not appropriate because it would require the Company's captive customers to pay an entire year's worth of costs for an asset that will only be in service for one month of the Company's requested 2009 test year.

STAFF: No. Plant in service should be reduced by $45,206,000 ($46,937,000 system) and Accumulated Depreciation should be reduced by $452,000 ($469,000 system). See Issue 72 for NOI adjustment.

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

POSITIONS

TECO: No adjustments, other than those proposed by the company, should be made to TECO's projected level of plant in service. The adjustment proposed by OPC is flawed and should be rejected. (Chronister)

OPC: Yes. Based on an analysis of the Company's projected level of plant in service with the actual levels through September 2008, the comparison shows that the Company's projection is overstated. Utilizing the average percentage difference between the projection and actual data (since the overstated projection trending will be carried forward into the 13-month average ending December 31, 2009) results in a reduction to jurisdictional plant in service of $51,969,000 ($53,958,000 total Company). Based on this reduction, depreciation and amortization on a jurisdictional basis should be reduced by $8,187,000 ($8,500,000 total Company). (Larkin)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Agree with Office of Public Counsel.

FRF: Yes. Pending the development of additional evidence, the FRF agrees with OPC that jurisdictional Plant in Service should be reduced by $51,969,000 (total Company reduction of $53,958,000), in addition to the specific adjustments identified in other issues, including Issues 5, 7, and 9. Correspondingly, jurisdictional depreciation and amortization should be reduced by ad additional $8,187,000.

STAFF: No position at this time.

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

POSITIONS

TECO: Yes. TECO appropriately included $2,445,000 in rate base and reduced NOI by $342,000 for total CIS modification costs of $2,792,000 to be amortized over five years. The modifications are necessary to reflect required rate changes from this proceeding, not changes made in the normal course of business, and even routine software upgrades should be capitalized and depreciated. (Chronister)

OPC: No. The Customer Information System changes are changes that are routinely done when rate changes are approved such as the annual fuel proceeding or a normal base rate case. Moreover, the anticipated billing changes may not be approved by the Commission. Therefore, the supposedly extraordinary CIS upgrade of $2,445,000 should be denied and depreciation expense decreased by $558,000. (Larkin)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Agree with Office of Public Counsel.

FRF: No. TECO's request should be denied, and corresponding depreciation expense should be reduced by $558,000 for the test year.

STAFF: No position at this time.

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?

POSITIONS

TECO: Yes. TECO has properly forecasted this amount for Plant in Service and it is appropriate. (Chronister)

OPC: No. The amount should reflect the adjustments recommended by OPC in this proceeding. (Larkin)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: No. This amount should reflect the adjustments recommended by Intervenors in this case.

FRF: No. The amount should reflect the adjustments recommended by OPC's witnesses in this case.

STAFF: No position at this time. This is a fallout issue.

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?

POSITIONS

TECO: Yes. TECO has properly forecasted this amount for accumulated depreciation and it is not overstated as suggested by OPC. (Chronister)

OPC: No. The reserve is overstated by $8,500,000 total Company ($8,187,000 jurisdictional). (Larkin)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Agree with Office of Public Counsel.

FRF: No. The amount should reflect the adjustments recommended by OPC's witnesses in this case.

STAFF: No position at this time. This is a fallout issue.

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

POSITIONS

TECO: Yes. All costs recovered through the Environmental Cost Recovery Clause have been appropriately removed from rate base for the 2009 projected test year. (Chronister)

OPC: No.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: No.

FRF: Agree with OPC.

STAFF: Yes. All costs recovered through the Environmental Cost Recovery Clause have been appropriately removed from rate base for the 2009 projected test year.

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?

POSITIONS

TECO: Yes. TECO has properly forecasted this amount for Construction Work in Progress and it is appropriate. The analysis and proposal advanced by OPC is flawed and should be rejected. (Chronister)

OPC: No. Based on an analysis of the Company's projected level of Construction Work in Progress with the actual levels for the first nine months of 2008, the comparison shows that the Company's projection is 1.90% understated. The

CWIP balance should be increased by $2,608,000 on a jurisdictional basis, which results in a CWIP balance of $103,679,000. (Larkin)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Agree with Office of Public Counsel.

FRF: No. Agree with OPC.

STAFF: No position at this time.

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?

POSITIONS

TECO: Yes. TECO has properly forecasted this amount for Property Held for Future Use and it is appropriate. The analysis and proposal advanced by OPC is flawed and should be rejected. (Chronister)

OPC: No. The Company's Property Held for Future Use should be decrease by $2,328,354 on a jurisdictional basis to reflect the change the Company made to accurately reflect all plant placed in service in 2009. (Larkin)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Agree with Office of Public Counsel.

FRF: No. Agree with OPC that PHFFU should be decreased by $2,328,354 on a jurisdictional basis.

STAFF: No position at this time.

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

POSITIONS

TECO: No. TECO has properly forecasted deferred dredging cost to be incurred by the company based on current cost estimates and no adjustment is warranted. The analysis and proposal advanced by OPC is flawed and should be rejected. (Hornick, Chronister)

OPC: Yes. The Company has failed to provide documentation to support that dredging costs will reach $6.9 million. Historical costs have been significantly less. The Company has not supported that any dredging will occur in 2009 test year. Therefore, the deferred dredging cost balance of $2,657,000 (jurisdictional) should be removed and the amount expensed of $1,330,000 should also be removed. (Larkin)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Agree with Office of Public Counsel.

FRF: Yes. Agree with OPC that the Company's deferred dredging cost balance of $2,657,000 (jurisdictional) and related dredging operating expense of $1,330,000 should be removed.

STAFF: No position at this time.

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

POSITIONS

TECO: No. Since T&D insurance coverage is not commercially available at reasonable prices, the Commission should approve TECO's proposed annual accrual and target of $20 and $120 million, respectively, as an insurance surrogate. Based on ABS Consulting's study, the current approved accrual and reserve target are inadequate. The company's proposed accrual and target level are appropriate for most, but not all storms based on the value of TECO's system and will serve to normalize the level of storm damage expense over time. (Harris, Carlson, Chronister)

OPC: Yes. The Company's requested increase in the annual accrual from $4 million to $20 million should be denied. The Company's past history of storm damage and timely recovery along with current Commission policy that prudently incurred incremental storm cost will be recovered in a timely manner are sufficient to handle potential future storm cost, thus an additional accrual is not warranted. Likewise, no increase in the target level of storm damage reserve is warranted as the storm reserve will reach approximately $24 million by 2008 year end. This amount reflects the $38,877,284 increase to the storm reserve due to the

Company's eventual capitalized of costs, or charged to reserve for depreciation in 2005. Therefore, operating expense should be reduced by $16 million. Further, working capital should be increased by $8 million to remove the effect of increasing the storm reserve in rate base. (Larkin)

OAG: We adopt the positions of Public Counsel.

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)

FIPUG: Agree with Office of Public Counsel.

FRF: Yes. TECO's requested 400% increase in annual accrual from $4 million to $20 million per year is unnecessary and unreasonable. TECO's accrual should remain at $4 million per year. No increase in the Company's target level for its storm reserve should be allowed.

STAFF: Yes. The accrual for Storm Damage Reserve should remain at its current annual level of $4 million with a $55 million target amount. The jurisdictional working capital adjustment is a decrease of $8,000,000 and the jurisdictional O&M expense adjustment is a decrease of $16,000,000.

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

POSITIONS

TECO: No. TECO has properly forecasted prepaid pension expense and no adjustment is warranted. (Chronister)

OPC: Yes.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Yes.

FRF: Yes.

STAFF: No position at this time.

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

POSITIONS

TECO: No. The revenues and costs associated with Account 143 have been properly included in NOI and TECO has properly forecasted the amount in Account 143–Other Accounts Receivable in its proposed working capital balance. If working capital is adjusted, the related revenues and costs should be removed from NOI. (Chronister)

OPC: Yes. The Company has yet to show that all of the accounts receivable in Account 143-Other Accounts Receivable are related to utility services and the cost or revenue associated with these accounts receivable have been included in jurisdictional operating income. The remainder of Other Accounts Receivable in the amount of $10,959,000 on a jurisdictional basis should be removed. (Larkin)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Yes. Agree with Office of Public Counsel.

FRF: Yes. Agree with OPC that $10,959,000 should be removed on a jurisdictional basis.

STAFF: No position at this time.

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

POSITIONS

TECO: Yes. However, except for $390,000 associated with non-utility intercompany receivables, the balance in Account 146-Accounts Receivable from Associated Companies in the company's proposed working capital balance is utility related (Peoples Gas System) and is properly forecasted. Non-utility intercompany receivables of $390,000 should be removed from the account. (Chronister)

OPC: Yes. The entire balance of Account 146-Accounts Receivable from Associated Companies of $6,309,000 should be excluded. The Company has not shown that it is directly related to the provision of utility service or necessary for working capital that ratepayers bear. (Larkin)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Yes. Agree with Office of Public Counsel.

FRF: Yes. Agree with OPC that the entire balance of $6,309,000 in Account 146 should be excluded.

STAFF: No position at this time.

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

POSITIONS

TECO: No. TECO has properly forecasted its unfunded Other Post-retirement Employee Benefit liability and no adjustment is warranted. (Chronister)

OPC: Yes.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Yes.

FRF: Yes.

STAFF: No position at this time.

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

POSITIONS

TECO: No. TECO has properly forecasted its coal inventories and no adjustment is warranted. OPC's proposed 10% reduction is speculative, arbitrary and capricious and should be rejected. (Wehle)

OPC: Yes. The Company's fuel stock should be reduced by 10% to reflect current reductions which might have occurred in coal, oil, and gas prices. (Larkin)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Yes. Agree with Office of Public Counsel.

FRF: Yes. The cost value of the Company's fuel stock should be reduced by 10% to reflect reductions in coal, oil, and other fuel prices that have likely occurred since the Company filed its case.

STAFF: No position at this time.

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

POSITIONS

TECO: No. TECO has properly forecasted its residual oil inventories and no adjustment is warranted. OPC's proposed 10% reduction is speculative, arbitrary and capricious and should be rejected. (Wehle)

OPC: Yes. The Company's fuel stock should be reduced by 10% to reflect current reductions which might have occurred in coal, oil, and gas prices. (Larkin)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Yes. Agree with Office of Public Counsel.

FRF: Yes. The cost value of the Company's fuel stock should be reduced by 10% to reflect reductions in coal, oil, and other fuel prices that have likely occurred since the Company filed its case.

STAFF: No position at this time.

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

POSITIONS

TECO: No. TECO has properly forecasted its distillate oil inventories and no adjustment is warranted. OPC's proposed 10% reduction is speculative, arbitrary and capricious and should be rejected. (Wehle)

OPC: Yes. The Company's fuel stock should be reduced by 10% to reflect current reductions which might have occurred in coal, oil, and gas prices. (Larkin)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Yes. Agree with Office of Public Counsel.

FRF: Yes. The cost value of the Company's fuel stock should be reduced by 10% to reflect reductions in coal, oil, and other fuel prices that have likely occurred since the Company filed its case.

STAFF: No position at this time.

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

POSITIONS

TECO: No. TECO has properly forecasted its natural gas and propane inventories and no adjustment is warranted. OPC's proposed 10% reduction is speculative, arbitrary and capricious and should be rejected. (Wehle)

OPC: Yes. The Company's fuel stock should be reduced by 10% to reflect current reductions which might have occurred in coal, oil, and gas prices. (Larkin)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Yes. Agree with Office of Public Counsel.

FRF: Yes. The cost value of the Company's fuel stock should be reduced by 10% to reflect reductions in coal, oil, and other fuel prices that have likely occurred since the Company filed its case.

STAFF: No position at this time.

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

POSITIONS

TECO: Yes. TECO has properly reflected net over- and under-recoveries of fuel and conservation expenses in its calculation of working capital. (Chronister)

OPC: No.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: No.

FRF: Agree with OPC.

STAFF: Yes. TECO has properly reflected net over- and under-recoveries of fuel and conservation expenses in its calculation of working capital.

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

POSITIONS

TECO: Yes. Except for $116,000 associated with forecasted fees for a consultant that the company ultimately never used, the balance of unamortized rate case expense should be included in Working Capital without adjustment. (Chronister)

OPC: No. The amount should reflect the adjustment for rate case expense recommended by OPC in this proceeding and the remaining balance should be reduced by one-half as has been the Commission's policy. This will reflect the fact that the balance will be reduced as the rate case expense is collected in rates. (Schultz)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: No. Agree with Office of Public Counsel.

FRF: Agree with OPC.

STAFF: No. Unamortized rate case expense in the amount of $2,628,000 should be removed from working capital.

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

POSITIONS

TECO: Yes. TECO has properly forecasted this amount for Working Capital and it is appropriate for the 2009 projected test year. (Chronister)

OPC: No. The amount should reflect the adjustments recommended by OPC in this proceeding. (Larkin)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: No. Agree with Office of Public Counsel.

FRF: No. Working Capital should reflect the adjustments recommended by the Citizens in this proceeding.

STAFF: No position at this time. This is a fallout issue.

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

POSITIONS

TECO: Yes. TECO has properly forecasted this amount for rate base and it is appropriate for the 2009 projected test year. (Chronister)

OPC: No. The amount should reflect the adjustments recommended by OPC in this proceeding.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: No.

FRF: No. The Company's rate base should reflect the adjustments recommended by the Citizens in this proceeding.

STAFF: No position at this time. This is a fallout issue.

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?

POSITIONS

TECO: The appropriate amount of accumulated deferred taxes to be included in the capital structure for 2009 is $302,744,000 as shown on MFR Schedule D-1a. The methodology used by the company is proper. (Gillette, Felsenthal)

OPC: The Company should be required to calculate the deferred tax balance on a consistent basis with the methodology employed for at least the last sixteen years. Prior to any change in the methodology employed for calculating the deferred tax balance, the Company should be required to obtain a letter ruling from the IRS that indicates that the change is necessary. (Schultz)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Agree with Office of Public Counsel.

FRF: Agree with OPC.

STAFF: No position at this time.

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?

POSITIONS

TECO: The appropriate amount and cost rate of the unamortized investment tax credits to include in the capital structure for 2009 is $8,780,000 and 9.75%, respectively, as shown on MFR Schedule D-1a. The company's proposed ITC amortization adjustment is proper and should be approved. (Gillette, Felsenthal)

OPC: The Company's adjustment made to the ITC amortization should be reversed. The Company should be required to identify this amount included in filing and an adjustment made accordingly. (Schultz)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Agree with Office of Public Counsel.

FRF: Agree with OPC.

STAFF: No position at this time.

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

POSITIONS

TECO: The appropriate amount and cost rate for short-term debt for 2009 are $8,002,000 and 4.63%, respectively, as shown on MFR Schedule D-1a. The adjustment proposed by OPC is flawed and should be rejected. (Gillette)

OPC: Based on the three-month LIBOR rate (2.15%) plus the financing program fee of 18 basis points (0.18%), a short-term debt cost rate of 2.33% as of November 13, 2008 is appropriate. (Woolridge)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Agree with Office of Public Counsel.

FRF: Agree with OPC.

STAFF: No position at this time.

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

POSITIONS

TECO: Yes. The proposed adjustment, including the use of a 25 percent risk factor, is consistent with how S&P imputes debt for purchase power agreements. The pro forma adjustment to equity to offset off-balance sheet purchase power obligations is consistent with past Commission decisions, appropriate and should be approved. (Gillette, Abbott)

OPC: No. The Company's proposed equity infusions related to the purchase power obligations are improper. Given the recovery mechanism for PPA payments, the financial condition of the Company is not impaired by entering these contracts. Thus, providing incremental revenues through a higher equity ratio and overall rate of return are unnecessary and would result in an unwarranted revenue benefit to the utility. (Woolridge)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: No. Agree with Office of Public Counsel.

FRF: No. Agree with OPC.

STAFF: No position at this time.

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

POSITIONS

TECO: The appropriate amount and cost rate for long-term debt for 2009 are $1,397,565,000 and 6.80%, respectively, as shown on MFR Schedule D-1a. (Gillette)

OPC: As of November 26, 2008, the appropriate long-term debt cost is 6.80%. (Woolridge)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Agree with FRF.

FRF: The appropriate amount of Long-Term Debt is $1,624,563,000, and the appropriate cost rate is 6.81%.

STAFF: No position at this time.

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

POSITIONS

TECO: The appropriate capital structure for 2009 is company's proposed capital structure as shown on MFR Schedule D-1a. The adjustment proposed by OPC is flawed and should be rejected. (Gillette, Abbott)

OPC: The appropriate common equity ratio is 48.89% which more accurately reflects the Company's past financing, the capitalization of electric utility companies, and removes the improper equity infusions for the PPAs. The appropriate capitalization ratios for the weighted average cost of capital on a regulatory structure basis are as follows: long-term debt at 43.80%; short-term debt at 0.60%; customer deposits at 2.82%; common equity at 42.48%; tax credits-weighted cost at 0.33%; and deferred income taxes at 9.97%. (Woolridge)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Agree with FRF.

FRF: The appropriate structure for the 2009 test year is 44.43% Long-Term Debt, 44.00% Common Equity, 8.28% Deferred Income Taxes, and other amounts as indicated in Mr. Kevin O'Donnell's testimony and exhibits.

STAFF: No position at this time.

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

DROPPED
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]**

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

POSITIONS

TECO: The appropriate return on common equity for the 2009 projected test year is 12% with a range of 11% to 13%. The adjustments proposed by OPC and FIPUG are flawed and should be rejected. (Murry, Gillette)

OPC: The appropriate return on common equity for the 2009 projected test year is 9.75% as of November 26, 2008. (Woolridge)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: The appropriate return on equity for TECO, given current conditions, is 7.5%. TECO will be able to attract equity capital at this rate because TECO is a secure utility that operates in a very low risk environment due to its monopoly position and its captive customer base. Further, in these economic times, undue reliance should not be placed on computer modeling; rather, some common sense must be used to determine an appropriate ROE.

FRF: Between 7.5% and 9.75%. (O'Donnell, Herndon)

STAFF: No position at this time.

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

POSITIONS

TECO: The appropriate weighted average cost of capital for the 2009 projected test year I 8.82%. (Gillette)

OPC: The appropriate weighted average cost of capital on a regulatory structure, rate of return, is 7.33%. (Woolridge)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Agree with FRF.

FRF: No greater than 7.52%. (O'Donnell)

STAFF: No position at this time.

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?

POSITIONS

TECO: Yes. TECO has properly forecasted this amount for Total Operating Revenues and it is appropriate for the 2009 projected test year. (Chronister)

OPC: No. The amount should reflect the adjustments recommended by OPC in this proceeding.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: No. Adjustments must be made to reflect the Commission's decision in this case. In addition, the Commission should ensure that appropriate adjustments have been made to account for revenue TECO receives when it sends its crews and equipment to assist other utilities.

FRF: No. The amount should reflect the adjustments recommended by OPC in this case.

STAFF: No position at this time.

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

POSITIONS

TECO: The appropriate inflation factors for use in forecasting the 2009 test year budget are CPI of 217.8 and a CPI percentage increase of 2.06%. (Cifuentes)

OPC: No position.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: No position.

FRF: No position.

STAFF: After reviewing TECO's inflation escalation factor for their forecasts and comparing it with Florida's National Economic Estimating Conference (10/2008) CPI forecasts, we find TECO's 2.06% inflation factor reasonable and are willing to stipulate to Issue 40.

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?

POSITIONS

TECO: Yes. This amount is below the Commission's O&M benchmark. TECO has properly forecasted this amount for O&M Expense and it is appropriate for the 2009 projected test year. (Chronister)

OPC: No. The amount should reflect the adjustments recommended by OPC in this proceeding. (Larkin, Schultz)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: No. The specific adjustments FIPUG and other intevenors have recommended should be used to reduce O&M expense.

FRF: No. The amount should reflect the adjustments recommended by OPC in this case.

STAFF: No position at this time. This is a fallout issue.

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?

POSITIONS

TECO: Yes. TECO has 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. (Chronister, Ashburn)

OPC: No position.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: No position.

FRF: No position.

STAFF: Yes. TECO has 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.

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

POSITIONS

TECO: Yes. TECO has made the appropriate test year adjustments to remove conservation revenues and expenses recoverable through the Conservation Cost Recovery Clause. (Chronister, Ashburn)

OPC: No position.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: No position.

FRF: No position.

STAFF: Yes. TECO has made the appropriate test year adjustments to remove conservation revenues and expenses recoverable through the Conservation Cost Recovery Clause.

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

POSITIONS

TECO: Yes. TECO made the appropriate test year adjustments to remove capacity revenues and expenses recoverable through the Capacity Cost Recovery Clause. (Chronister, Ashburn)

OPC: No position.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: No position.

FRF: No position.

STAFF: Yes. TECO made the appropriate test year adjustments to remove capacity revenues and expenses recoverable through the Capacity Cost Recovery Clause.

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

POSITIONS

TECO: Yes. TECO has made the appropriate test year adjustments to remove environmental revenues and expenses recoverable through the Environmental Cost Recovery Clause. (Chronister, Ashburn)

OPC: No position.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: No position.

FRF: No position.

STAFF: Yes. TECO has made the appropriate test year adjustments to remove environmental revenues and expenses recoverable through the Environmental Cost Recovery Clause.

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

POSITIONS

TECO: No. TECO has properly forecasted advertising expenses and no adjustment is warranted. (Chronister)

OPC: Yes.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Yes.

FRF: Yes.

STAFF: No position at this time.

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

POSITIONS

TECO: Yes. TECO has made the appropriate adjustments to remove lobbying expenses from the 2009 projected test year. (Chronister)

OPC: No.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: No. The amount should reflect the adjustments recommended by the Office of Public Counsel in this case.

FRF: Agree with Office of Public Counsel.

STAFF: No position at this time.

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

POSITIONS

TECO: No. The company's total salaries and benefits expense reflects reasonable levels of compensation and benefits (401k and medical) based on market comparisons.

TECO has properly forecasted Salaries and Employee Benefits for the 2009 projected test year. (Merrill, Chronister)

OPC: Yes. There are several issues with payroll. First, the overtime dollars included in the filing have not been identified or tracked by the Company. Second, the number of new employees above 2007 historical levels is not justified by the historical data and reduction in expected annual growth. A reduction of \$3,568,109 on a jurisdictional basis is warranted. Second, the Company seeking to increase its 401(k) matching contributions despite today's economic condition is unreasonable. A reduction of \$1.991 million to the Company's 2009 401(k) plan is appropriate. Further, the costs shown in the filing may not reflect a proper level of employee medical contribution, but an adjustment cannot be recommended due the insufficiency of Company's responses. A reduction to employee benefits should be \$1,461,650 (\$1,420,208 on a jurisdictional basis) based on OPC's recommended reduction to employees. (Schultz)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Yes. Agree with Office of Public Counsel.

FRF: Yes. Agree with OPC that (a) the Company's payroll should be reduced by \$3,568,109 (jurisdictional); (b) a reduction of \$1.991 million should be made to the Company's 401(k) plan expense; and (c) the Company's employee benefits expense should be reduced by \$1,420,208 (jurisdictional). The total jurisdictional adjustment is thus \$6,979,317.

STAFF: Yes. O&M expense should be reduced by \$3,676,382. This is a reduction of \$3,568,109 on a jurisdictional basis.

ISSUE 49: Should an adjustment be made to Other Post Employment Benefits Expense for the 2009 projected test year?

POSITIONS

TECO: No. TECO has properly forecasted Other Post Employment Benefits Expense and no adjustment is warranted. (Merrill, Chronister)

OPC: Yes.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Yes. Agree with Office of Public Counsel.

FRF: Yes. Agree with OPC as to the appropriate amounts of adjustments.

STAFF: No position at this time.

ISSUE 50: Should operating expense be reduced to take into account budgeted positions that will be vacant?

POSITIONS

TECO: No. TECO has properly forecasted operating expense for budgeted labor and no adjustment is warranted. Headcount is not a primary metric that TECO uses to manage its business; rather it forecasts total resources needed to cost-effectively meet operational requirements. The budget system does not utilize headcount, only forecasted expenses. (Merrill, Chronister)

OPC: Yes. (Schultz)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Yes. Agree with Office of Public Counsel.

FRF: Yes. Agree with OPC.

STAFF: No position at this time.

ISSUE 51: Should operating expense be reduced to take into account TECO's initiatives to improve service reliability?

POSITIONS

TECO: No. TECO has properly adjusted operating expenses to take into account TECO's initiatives to improve service reliability. Staff's proposed adjustment improperly focuses on positions, not resources to serve customers, and should be rejected. (Haines)

OPC: Yes.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Yes. Agree with Office of Public Counsel.

FRF: Agree with OPC.

STAFF: No position at this time.

ISSUE 52: Should operating expense be reduced to remove the cost of TECO's incentive compensation plan?

POSITIONS

TECO: No. The company's total level of compensation, including incentive compensation, is reasonable based on market comparisons. The company's incentive compensation is one component of overall compensation for officers, key employees and general employees. Taken as a whole, the incentive plans are appropriately designed to motivate employees to achieve customer-focused operational and financial goals. The adjustments proposed by OPC are flawed and should be rejected. (Merrill, Chronister)

OPC: Yes. The Company has not shown that the pay is required or designed to attract, retain, and/or motivate employees. The goals and/or targets set are not set to improve performance that benefits customers. Moreover, ratepayers are being requested to pay more than their fair share, even assuming that this type of incentive plan is reasonable. The entire $11,574,843 ($11,233,952 on a jurisdictional basis) should be disallowed. However, under no circumstances should ratepayers bear more than 50% of the cost. (Schultz)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Yes. All compensation that is tied to the financial performance of the operating company and the parent company should be removed. Incentive compensation that is contingent on the parent and/or operating company achieving financial goals, such as net income, cash flow, or other measures benefits shareholders not ratepayers. At a minimum, compensation related to Performance Restricted Shares and Time-Vested Restricted Shares should be removed from the test year. In addition, 100% of officer and key employee cash payments contingent upon TECO Energy achieving a specific net income should also be disallowed. Further, 50% of general employee-based incentive pay should be disallowed because it is based upon financial goals of TECO and TECO Energy. A total of $9.05 million should be disallowed.

FRF: Yes. Agree with OPC that TECO's incentive compensation plan is not structured to ensure that it benefits TECO's captive customers, and accordingly, the entire $11,233,952 (jurisdictional) should be removed.

STAFF: No position at this time.

ISSUE 53: Should operating expense be reduced to take into account new generating units added that are maintained under contractual service agreements?

POSITIONS

TECO: No. TECO has properly forecasted operating expenses and has taken into account new generating units that are maintained under contractual service agreements. No adjustment is warranted. (Hornick)

OPC: Yes. (Schultz)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Yes.

FRF: Yes.

STAFF: No position at this time.

ISSUE 54: Should an adjustment be made to TECO's generation maintenance expense?

POSITIONS

TECO: No. TECO has properly forecasted generation maintenance expense; it is not overstated and no adjustment is warranted. (Hornick)

OPC: Yes. The Company did not justify its requested increase above indexed historical 2007 levels. The Company's request is overstated by $8.48 million ($8.173 million on a jurisdictional basis). (Schultz)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Yes. Agree with Office of Public Counsel.

FRF: Yes. The Company's generation maintenance expense should be reduced by $8,173,000 on a jurisdictional basis.

STAFF: No position at this time.

ISSUE 55: Should an adjustment be made to TECO's substation preventive maintenance expense?

POSITIONS

TECO: No. The company's substation preventive maintenance expense is not overstated. TECO has properly forecasted substation preventive maintenance and no adjustment is warranted. (Haines)

OPC: Yes. The Company has unreasonably increased its 2009 projected test year levels almost twice the historical 2007 level and three times the last five year average. Since the Company should have been maintaining its system in a safe and reliable manner over the years, the maintenance expense should be based on indexed 2007 historical levels. This results in a reduction of $1,057,185 ($973,201 on a jurisdictional basis). (Schultz)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Yes. Agree with Office of Public Counsel.

FRF: Yes. The Company's substation preventive maintenance expense should be reduced by $973,201 on a jurisdictional basis.

STAFF: No position at this time.

ISSUE 56: Should an adjustment be made to TECO's request for Dredging expense?

POSITIONS

TECO: No. TECO has properly forecasted Dredging expense to be incurred by the company based on current cost estimates and no adjustment is warranted. (Hornick)

OPC: Yes. The Company has failed to provide documentation to support that dredging cost will reach $6.9 million. Further, the Company has not supported that any dredging will occur in 2009 test year. Therefore, the operating expense of $1,330,000 for dredging should be removed. (Larkin)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Yes. Agree with Office of Public Counsel.

FRF: Yes. The Company's operating expenses should be reduced by $1,330,000 (jurisdictional).

STAFF: No position at this time.

ISSUE 57: Should an adjustment be made to TECO's Economic Development Expense?

POSITIONS

TECO: No. TECO has properly forecasted Economic Development Expense and no adjustment is warranted. (Chronister)

OPC: Yes.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Yes.

FRF: Yes.

STAFF: No position at this time.

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

POSITIONS

TECO: No. TECO has properly forecasted Pension Expense and no adjustment is warranted. (Chronister)

OPC: Yes.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Yes.

FRF: Yes.

STAFF: No position at this time.

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

POSITIONS

TECO: No. Since T&D insurance coverage is not commercially available at reasonable prices, the Commission should approve TECO's proposed annual accrual and target of $20 million and $120 million, respectively, as an insurance surrogate. Based on ABS Consulting's study, the current approved accrual and reserve target are inadequate. The company's proposed accrual and target levels are appropriate for most, but not all, storms based on the value of TECO's system and will serve to normalize the level of storm damage expense over time. (Chronister, Carlson, Harris)

OPC: Yes, the storm damage accrual should remain at $4,000,000. (Larkin)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Yes. Agree with Office of Public Counsel.

FRF: Yes. The Company's storm damage accrual should remain at $4 million per year, and the Company's reserve target level should remain unchanged.

STAFF: Yes. The storm damage reserve accrual should be reduced by $16,000,000.

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

POSITIONS

TECO: No. TECO has properly forecasted the accrual for the Injuries & Damages reserve and no adjustment is warranted. (Chronister)

OPC: Yes.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Yes.

FRF: Yes.

STAFF: No position at this time.

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

POSITIONS

TECO: No. Director's & Officer's Liability ("D&O") Insurance is an ordinary and necessary business expense for a public utility and benefits the ratepayers by covering defense costs and making it possible to recruit and retain talented directors and officers. TECO has properly forecasted D&O Liability Insurance expense and no adjustment is warranted. (Chronister)

OPC: Yes. The Director's & Officer's Liability (DOL) insurance expense should be removed from rates. It does not provide a benefit to the ratepayers since it is designed to protect shareholders from the Board of Directors' and officers' bad decisions whom the shareholders hired. Further, ratepayers receive none of the proceeds from these types of settlements or decision. Thus, the entire $1,700,908 ($1,605,815 on a jurisdictional basis) for DOL insurance should be removed. At a minimum, should the Commission determine there is some ratepayer benefit, then the DOL expense should be limited to 2003 level of $654,392 reducing the 2009 test year request $1,046,516. (Schultz)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Yes. Agree with Office of Public Counsel.

FRF: Yes. Agree with OPC that this expense is not reasonable or prudent in that it does not provide benefit to TECO's captive customers, but rather only to TECO's shareholders; agree with OPC that the entire amount of $1,605,815 (jurisdictional) should be removed.

STAFF: No position at this time.

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

POSITIONS

TECO: No. TECO has properly forecasted meter expense and meter reading expense and no adjustment is warranted. However, $497,000 of expense should be reclassified from Account 902 – Meter Reading Expense to Account 586 – Meter Expense. (Haines, Chronister)

OPC: Yes.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: No position.

FRF: Yes.

STAFF: No. TECO has properly forecasted meter expense and meter reading expense and no adjustment is warranted. However, $497,000 of expense should be reclassified from Account 902 – Meter Reading Expense to Account 586 – Meter Expense.

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

POSITIONS

TECO: The appropriate amount for rate case expense is $3,037,000 and it should be amortized over a three-year period beginning in 2009. This includes the removal of the forecasted consulting fees for J.M. Cannell of $116,000 since her services for rebuttal testimony were not needed. All other amounts are prudent and appropriate. (Chronister)

OPC: Yes. The rate case expense is excessive. Since the Company has not entered into a contract with J.M. Cannell, the $116,000 for her services should be removed. The Huron Consulting Services amount should be reduced to the amount specified in the contract amount of $468,000 from the requested $1.31 million. These recommendations reduce the projected costs from $3.153 million to $2.196 million. Further, rate case expense should be amortized over a five year period instead of three years. Utilizing a five year amortization period results in a reduction to amortization expense of $612,000 and a reduction of $652,000 to the amount included in rate base for unamortized rate case expense. (Schultz)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: TECO should be required to provide actual, rather than projected rate case expense so that actual expenditures are used to set rate case expense. Because there is generally a long period of time between rate cases, a longer amortization period is more in keeping with TECO's rate case history. Such amortization period should be five years. In addition, FIPUG agrees with the specific reductions in rate case expense recommended by the Office of Public Counsel.

FRF: The appropriate amount of rate case expense is $1,905,000, which reflects the effects of removing the costs for J.M. Cannell and Susan Abbott, and the difference between the Huron Consulting contract amount of $468,000 and the $1.31 million requested by TECO. Especially in light of the relative infrequency of TECO's general rate cases, the appropriate amortization period is five years.

STAFF: The amortization period should be 4 years. No position on amount at this time, pending evidence adduced at hearing.

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

POSITIONS

TECO: No. TECO has properly forecasted Bad Debt Expense based on current and forecasted economic conditions and no adjustment is warranted. The analysis and proposal advanced by OPC is flawed and should be rejected. (Chronister)

OPC: Yes. The Company's increase of 44% for uncollectible expense for the projected 2009 test year to $7,971,000 over 2007 historical costs of $5,527,000 is unjustified. Using a historical period will give an average of the Company's bad debt write-offs over a longer period of time and reflect a reasonable estimate of what the Company's write-offs will be in future periods. Using the five year average for bad debt expense, results in a reduction of $2,409,000($2,342,000 jurisdictional expense) for uncollectible expense. The revenue conversion factor should also be adjusted to reflect the proposed Bad Debt Factor. (Larkin)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Yes. Agree with Office of Public Counsel.

FRF: Yes. The Company's Bad Debt Expense should be reduced as recommended by OPC's witnesses.

STAFF: No position at this time.

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

POSITIONS

TECO: No. TECO has properly forecasted office supplies and expenses and no adjustment is warranted. (Chronister)

OPC: Yes. The Company failed to provide documentation to support its requested 39% increase in 2009 project test year over the 2007 historical level of $8.067 million for office supplies. Therefore, office supplies and expense should be reduced $2.363 million ($2.295 million on a jurisdictional basis) to $8.818 million. (Schultz)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Yes. Agree with Office of Public Counsel.

FRF: Yes. The Company's requested amount should be reduced by $2,295,000 on a jurisdictional basis.

STAFF: No position at this time.

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

POSITIONS

TECO: No. TECO has properly forecasted tree trimming expense to reflect current fuel and contract prices and no adjustment is warranted. It is consistent with the Commission's storm hardening requirements for a three-year distribution tree trim cycle. (Haines)

OPC: Yes. The Company's request is overstated for several reasons. First, the increased cost the Company attributed to increased fuel costs at the end of summer 2008 has returned to 2005 levels. It is appropriate use the 2007 cost per miles escalated to the projected test year. Second, in the 1993 rate case the Company sought funding for a two year trim cycle that did not materialize. However, from 1998-2000, the Company was close to a three year trim cycle. Using these adjustments, results in a $5,993 rate per mile rate for an annual cost of $12,084,876. This is a reduction to the requested $16,073,444 by $3,988,568. (Schultz)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Yes. Agree with Office of Public Counsel.

FRF: Yes. The Company's requested amount should be reduced by $3,988,568 on a jurisdictional basis.

STAFF: Yes. Tree trimming should be reduced by $3,988,568 for the test year. This is a reduction of $3,988,568 (100%) on a jurisdictional basis.

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

POSITIONS

TECO: No. TECO has properly forecasted pole inspection expense to reflect current contract rates and no adjustment is warranted. It is consistent with the Commission's storm hardening requirements. (Haines)

OPC: Yes. The Company's request for $1,573,778 should be reduced $236,013 to $1,337,765. This reflects an eight year inspection cycle of 40,750 per year, times the indexed the 2007 average cost per pole of $32.83 which represents the most recent annual rate available. (Schultz)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Yes. Agree with Office of Public Counsel.

FRF: Yes. The Company's requested amount should be reduced by $236,013 on a jurisdictional basis.

STAFF: No position at this time.

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

POSITIONS

TECO: No. TECO has properly forecasted transmission inspection expense to reflect current contract rates and no adjustment is warranted. It is consistent with the Commission's storm hardening requirements. (Haines)

OPC: Yes. The Company's request for $642,773 should be reduced by $318,846 ($268,233 on a jurisdictional basis) to $323,927. This reflects indexing the 2007 expense of $302,195. (Schultz)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Yes. Agree with Office of Public Counsel.

FRF: Yes. The Company's requested amount should be reduced by $268,233 on a jurisdictional basis.

STAFF: No position at this time.

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?

POSITIONS

TECO: No. TECO has properly forecasted O&M associated with generation outages and no adjustment is warranted. The O&M expense included in the 2009 projected test year reflects a normal level of planned outage expense, forced outage expense, and routine maintenance expense and is not overstated. (Hornick)

OPC: Yes.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Yes. TECO has overstated its planned outages in 2009 (particularly at Big Bend) and O & M expenses should be adjusted to reflect normal outage levels. TECO's outage expenses should be reduced by $8 million.

FRF: Agree with FIPUG.

STAFF: Yes. The test year O&M expenses for planned outages should be reduced by $8 million for the test year to reflect a more representative level of ongoing operations. This is a jurisdictional decrease in O&M expenses of $7,710,000.

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

POSITIONS

TECO: Yes. TECO's pro forma adjustment to amortize CIS modifications is appropriate. TECO appropriately included $2,445,000 in rate base and reduced net operating income by $342,000 to amortize total CIS modification costs over five years. The CIS modifications are necessary to reflect required rate changes from this proceeding, not changes made in the normal course of business, and even routine software upgrades should be capitalized and depreciated. (Chronister)

OPC: No. The Customer Information System changes are changes that are routinely done when rate changes are approved such as the annual fuel proceeding or a normal base rate case. Moreover, the anticipated billing changes may not be approved by the Commission. Therefore, the supposedly extraordinary CIS upgrade should be denied and the related depreciation expense decreased by $558,000. (Larkin)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Yes. Agree with Office of Public Counsel.

FRF: No. The Company's proposed CIS upgrade cost of $2,445,000 should be denied and depreciation expense decreased by $558,000.

STAFF: No position at this time.

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?

POSITIONS

TECO: Yes. TECO's pro forma adjustment to annualize the five combustion turbines is appropriate and consistent with past Commission decisions. TECO appropriately included $130,687,000 in rate base and reduced net operating income by $7,216,000. The units are not being added to increase revenue or for customer growth, but will serve the demand of customers during peak periods and will improve system reliability. (Chronister, Hornick)

OPC: No annualizations of plant additions should be allowed when plant additions are revenue-producing or growth-related assets designed to increase the Company's ability to generate, transmit and deliver additional kilowatt hours of generation. If the Commission allows an adjustment for revenue-producing plant that increases capacity without an adjustment to recognize the increased customers and/or demand, this will overstate the revenue requirements used to create the rates charged to customers. Two of the combustion turbines are to be added in May 2009 and three in September 2009. Thus, the Company's request to annualize the five simple cycle turbines should be denied and the respective O&M, depreciation and tax expenses should be removed. (Larkin)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: No. Agree with Office of Public Counsel.

FRF: No. TECO's proposed annualization is not appropriate because it would require the Company's captive customers to pay an entire year's worth of costs for assets that will be used and useful for only parts of the Company's requested 2009 test year.

STAFF: No. Jurisdictional operating expenses should be reduced by $870,000 (O&M expense), $5,425,000 (Depreciation) and $5,453,000 (Taxes Other Than Income) to remove the annualization. See Issue 5 for Rate Base adjustment.

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

POSITIONS

TECO: Yes. TECO's pro forma adjustment to annualize the rail facilities is appropriate and consistent with past Commission decisions. TECO appropriately included $44,754,000 in rate base and reduced net operating income by $1,195,000. The facilities are necessary for testing in 2009 and to begin solid fuel deliveries from CSX in January 2010. (Chronister, Hornick, Wehle)

OPC: No. The Big Bend Rail Project is projected to go into service December 2009. The benefit to customers from the rail project can only be a reduction in fuel costs. By annualizing the rail facility for the entire 2009 test year when it will have been in service for a month or less, would allow the Company to earn a return as if the lower fuel costs did not exist in the future periods. Annualization of the rail facility further violates basic ratemaking by ignoring the productive benefit of the facility to the Company when it is fully in service by burdening ratepayers with the carrying costs and allowing the benefits to fall only to the shareholder. Thus, the Company's request to annualize the five simple cycle turbines should be denied and the respective depreciation expense should be removed. (Larkin)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: No. Agree with Office of Public Counsel.

FRF: No. TECO's proposed annualization is not appropriate because it would require the Company's captive customers to pay an entire year's worth of costs for an asset that will only be in service for one month of the Company's requested 2009 test year.

STAFF: No. Jurisdictional operating expenses should be reduced by $906,000 (Depreciation) and $1,039,000 (Taxes Other Than Income) to remove the annualization. See Issue 7 for Rate Base adjustment.

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?

POSITIONS

TECO: No. TECO has properly forecasted depreciation and no adjustment is warranted. The 2009 proposed level of depreciation expense reflects the Commission's approved depreciation rates from Docket No. 070284-EI. (Chronister)

OPC: Yes. Depreciation expense should be reduced by the amount annualized by the Company, the CIS upgrade and the overstatement of the reserve. (Larkin)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel. Yes.

FIPUG: Yes.

FRF: Yes.

STAFF: No. TECO has properly forecasted depreciation and no adjustment is warranted. The 2009 proposed level of depreciation expense reflects the Commission's approved depreciation rates from Docket No. 070284-EI.

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

POSITIONS

TECO: The appropriate amount of Depreciation Expense for the 2009 projected test year is $194,608,000 as shown on MFR Schedule C-1. (Chronister)

OPC: The appropriate amount is subject to the resolution of other issues. Adjustments are necessary to remove depreciation expense associated with the annualization of the CTs of $5,425,000, the rail project of $906,000, the overstated reserve for depreciation of $8,187,000 and the CIS Upgrade of $558,000. (Larkin)

OAG: We adopt the positions of Public Counsel.

AARP: No position at this time.

FIPUG: Agree with Office of Public Counsel.

FRF: Agree with OPC.

STAFF: No position at this time.

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

POSITIONS

TECO: No. TECO has properly forecasted Taxes Other Than Income Taxes and no adjustment is warranted. (Chronister)

OPC: Yes. The appropriate amount is subject to the resolution of other issues. Adjustments are necessary to remove taxes other than income associated with the annualization of the CTs of $5,453,000 and the rail project of $1,039,000. (Larkin)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Yes. Agree with Office of Public Counsel.

FRF: Yes.

STAFF: No position at this time. This is a fallout issue.

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

POSITIONS

TECO: No. TECO Energy has only raised debt for unregulated operations and most relates to its failed merchant operations. It did not raise debt to invest in Tampa Electric, nor did it invest debt proceeds as equity. All parent equity infusions during the relevant period were made from internally-generated funds or externally-generated equity. (Gillette)

OPC: Yes. The Company should be required to make a parent debt adjustment as per Rule 25-14.004, Florida Administrative Code.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Yes.

FRF: Yes.

STAFF: No position at this time.

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

POSITIONS

TECO: No. TECO has properly forecasted Income Tax expense and no adjustment is warranted. (Felsenthal, Chronister)

OPC: Yes, adjustments are appropriate to reflect the recommended interest synchronization adjustment of $3,388,000 and the $29,522,000 impact of OPC's other recommended adjustments. The appropriate amount is subject to the resolution of other issues. (Larkin)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Yes, an adjustment should be made to reflect the fact that TECO files a consolidated tax return with its parent company.

FRF: Yes.

STAFF: No position at this time. This is a fallout issue.

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

POSITIONS

TECO: Yes. TECO's projected Net Operating Income of $182,970,000 for the 2009 projected test year is appropriate. (Chronister)

OPC: No. The amount should reflect the adjustments recommended by OPC and is subject to the resolutions of other issues in this proceeding.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: No, FIPUG's adjustments, and those of other intervenors, discussed in the prior issues, should be adopted.

FRF: No. The Company's projected Net Operating Income should be adjusted to reflect all applicable adjustments recommended by OPC's witnesses in this proceeding.

STAFF: No position at this time. This is a fallout issue.

REVENUE REQUIREMENTS

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

POSITIONS

TECO: The appropriate net operating income multiplier for the 2009 test year is 1.63490 as shown on MFR Schedule C-44. (Chronister)

OPC: The appropriate net operating income multiplier is 1.633202. (Larkin)

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Agree with Office of Public Counsel.

FRF: Agree with OPC.

STAFF: 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?

POSITIONS

TECO: Yes. TECO's requested annual operating revenue increase of $228,167,000 for the 2009 projected test year is appropriate. (Chronister, Black)

OPC: No. The amount should reflect the adjustments recommended by OPC and is subject to the resolutions of other issues in this proceeding.

OAG: We adopt the positions of Public Counsel.

AARP: No. Same as Office of Public Counsel.

FIPUG: No, FIPUG's adjustments, and those of other intervenors, discussed in the prior issues, should be adopted.

FRF: No. Considering the fair, just, and reasonable rate of return on equity, capital structure, and expenses for the Company, the Commission should not allow TECO to increase its base rates by any more than $39.7 million. (The FRF will provide a final recommended value after the hearing.)

STAFF: No position at this time. This is a fallout issue.

RATE ISSUES

ISSUE 81: Did TECO correctly calculate the projected revenues at existing rates?

POSITIONS

TECO: Yes. (Ashburn, Cifuentes, Chronister)

OPC: No position.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: No position.

FRF: No position.

STAFF: Yes. TECO correctly calculated the projected revenues at existing rates.

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

POSITIONS

TECO: Yes. TECO utilized, with minor changes, the same jurisdictional separation methodology approved by the Commission in its last base rate proceeding producing separation factors utilized in the MFRs. Changes made to that methodology relate to transmission and were made to comply with FERC and FPSC orders and practices. The results of TECO's jurisdictional separation study show that retail represents the vast majority of the electric service provided by TECO and that retail is responsible for 96.3% of production plant, 82.3% of transmission plant and 100% of distribution plant. (Ashburn)

OPC: No position.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: No position.

FRF: No position.

STAFF: 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?

POSITIONS

TECO: The appropriate retail Cost of Service methodology is the 12 Coincident Peak and 25 Percent Average Demand ("12 CP and 25% AD"). It provides an appropriate classification and allocation of production plant to rate classes reflecting how power plants are planned and operated. The use of 25% AD rather than the 1/13th (or about 8%) AD better reflects cost causation. Investment in more expensive generating units to provide more efficient fuel conversion for the generation of electricity drives the need to use a greater energy allocation percentage. The 25% provides a balance between the inadequate 1/13th (8%) method and the too high Equivalent Peaker method (over 70%). (Ashburn)

OPC: No position.

OAG: We adopt the positions of Public Counsel.

AARP: The 12 Coincident Peak and 25 Percent Average Demand methodology proposed by TECO.

FIPUG: The Commission should continue to use the 12CP and 1/13 AD cost of service methodology that it has used for many years. This method appropriately allocates production investment and recognizes that load duration is what drives a utility's investment decision.

The Commission should reject the 12CP and 25% AD method TECO proposes. This methodology fails to reflect the basic principle of cost causation and allocates substantial costs beyond the break-even point (the point at which the cost of base/intermediate and peaking capacity is the same; that is, the point at which load duration might impact plant investment decision). Further, this method is inconsistent with the theory of capital substitution. The 12 CP and 25% AD methodology improperly assumes that investment decisions are caused by energy usage which is inaccurate and should be rejected.

FRF: No position.

STAFF: No position at this time.

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?

POSITIONS

TECO: The Polk Unit 1 gasifier and the Big Bend scrubber should be classified as energy. An energy classification is more appropriate since customers benefit from lower energy costs as a result of these investments, not from their contribution to meeting peak load. The gasifier performs a fuel conversion function that is completely associated with the provision of fuel to the Polk Unit 1 and not the supply of capacity. The Big Bend scrubber was classified to energy in TECO's last approved cost of service study, additional scrubber investment has been classified to energy in the environmental cost recovery clause, and this treatment remains appropriate because the main purpose of this investment is related to capture unwanted emissions from the plant and does not serve load or help maintain reliability. (Ashburn)

OPC: No position.

OAG: We adopt the positions of Public Counsel.

AARP: Energy.

FIPUG: Investment and expenses for the Polk Unit 1 gasifier and the environmental costs of the Big Bend Unit scrubber should be classified as demand. The need for power plants is driven by the need to serve peak demand not by energy requirements or environmental issues. As to the Polk gasifier, the entire plant – including the gasifier – was needed to meet peak load growth and reliability. The plant could not operate to provide capacity without the gasifier. Thus, it should be classified as demand.

Similarly, the Big Bend scrubber should be classified as demand because the scrubbers are required to operate the plant. They should not be classified and allocated any differently than the plant.

FRF: No position.

STAFF: This issue does not address total dollar amounts, but the allocation, i.e., energy or demand, of two production plant investment costs. Specifically, the Polk Unit 1 gasifier and the Big Bend Units 3 and 4 scrubber should be classified as energy, as opposed to demand, and thus allocated to the rate classes on an energy basis. An energy allocation typically shifts cost away from the residential class to larger commercial/industrial customers, which have greater energy responsibilities than demand responsibilities. The classification of the Big Bend Unit scrubber as energy-related was approved in TECO's last rate case (Docket No. 920324-EI), and continues to be appropriate. While TECO is required because of environmental obligations to operate the scrubber, the plant can operate without a scrubber. The scrubber removes unwanted emissions, allowing TECO to burn high sulfur coal which is a lower cost coal, thereby reducing fuel costs which are allocated on an energy basis. Furthermore, the scrubber for Big Bend Units 1 and 2 is being recovered through the Environmental Cost Recovery Clause, which allocates costs on an energy basis.

The Polk Unit 1 gasifier performs a fuel conversion function, converting solid coal into gas. Polk Unit 1 can operate without the gasifier, as the unit has a dual fuel capability and can operate using oil. Therefore, the it is appropriate to allocate the cost of the gasifier on a energy basis as well.

ISSUE 85: Is TECO's calculation of unbilled revenues correct?

POSITIONS

TECO: Yes. TECO has accurately calculated unbilled revenues. (Chronister, Ashburn)

OPC: No position.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: No position.

FRF: No position.

STAFF: Yes. TECO's calculation of unbilled revenues is correct.

ISSUE 86: What is the appropriate allocation of any change in revenue requirements?

POSITIONS

TECO: The appropriate allocation of any change, after recognizing any additional revenues realized in other operating revenues, should track, to the extent practical, each class' revenue deficiency as determined from TECO's proposed 12 CP and 25% AD cost of service study. The appropriate allocation compares present revenue for each class to the class cost of service requirement and then distributes the change in revenue requirements to classes. The appropriate allocation must recognize approved changes in consolidation of classes, treatment of current IS customers and restructuring of lighting rate schedules. Moving the classes close to 100% of parity and recognizing unit price change constraints provides a measure of fair recovery of cost. (Ashburn)

OPC: No position.

OAG: We adopt the positions of Public Counsel.

AARP: Through the 12 Coincident Peak and 25 Percent Average Demand methodology as proposed by TECO.

FIPUG: Rates for each class should be set at a level that will recover the cost of serving that class. This would be accomplished by using Mr. Pollock's Exhibit JP-13.

FRF: Any increase or decrease in base rate revenues should be allocated across-the-board in proportion to base rate revenues.

STAFF: The appropriate allocation of any change, after recognizing any additional revenues realized in other operating revenues, should track, to the extent practical, each class' revenue deficiency as determined from the approved cost of service study (Issues 83 and 84) and move the classes to parity as practicable. The appropriate allocation compares present revenue for each class to the class cost of service requirement and then distributes the change in revenue requirements to classes. No class should receive an increase greater than 1.5 times the system average percentage increase in total, and no class should receive a decrease. The appropriate allocation must recognize approved changes in consolidation of classes, treatment of current IS customers and restructuring of lighting rate schedules.

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?

POSITIONS

TECO: Yes. The interruptible rate schedules should be eliminated and existing customers on those rate schedules should be transferred to the appropriate GSD or SBF rate schedules with cost effective credits for interruptible service provided under the appropriate GSLM-2 and GSLM-3 conservation program rate riders. The listed interruptible rate schedules were closed to new business for many years having been found by the Commission to be not cost effective. The Commission has previously approved TECO's GSLM-2 and GSLM-3 riders that provide a cost effective interruptible service option. This rate case is the appropriate time for the Commission to complete this long, gradual conversion of the remaining interruptible rate schedule customers to cost effective rates which provide the appropriate discount for their service and remove any remaining subsidy being provided to them by firm service customers. (Ashburn)

OPC: No position.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: No, the interruptible rate schedules should not be eliminated. The easiest and most practical solution to interruptible rate design is to reset the rate to properly reflect the fact that interruptible customers do not receive the full benefit of equipment costs that are increasing, not declining (as prior Commission orders have found) and because interruptible service provides greater reliability for firm customers.

However, if the Commission uses a "credit" approach, the interruptible rate schedules should be designed so that interruptible customers receive a stable credit that does not change between rate cases and which properly values interruptible service. Further, interruptible load is not and should not be treated as a DSM program and there should be no load factor adjustment to the credit. In addition, the credit should not be recovered from the interruptible class, the very customers who are receiving the credit to begin with.

Finally, the credit must be appropriately calculated. When an appropriate calculation is made, the value of the credit is $13.70/Kw. See Exhibit JP-19.

FRF: These rate schedules should not be eliminated. No position on design of the rates.

STAFF: No position at this time.

ISSUE 88: Should the GSD, GSLD and IS rate schedules be combined under a single GSD rate schedule?

POSITIONS

TECO: Yes. The proposed GSD rate schedule recognizes metering and service voltage differences of al general service demand customers. There is no further justification for arbitrarily establishing subsets of these customers on other rate schedules. The present GSD and GSLD charges for energy and demand are identical, with the only difference being the customer charge reflecting service voltage differences and the application of power factor to GSLD. These differences are addressed in the proposed GSD through voltage level customer charges and application of power factor only to GSD customers over 1000 kW in demand. With these rate design changes to GSD, it is reasonable and appropriate to combine those rate schedules. The combined rate schedule is the appropriate schedule to transfer the IS customers to when that schedule is eliminated, as discussed in Issue 68. (Ashburn)

OPC: No position.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: No. Customer classes should be homogeneous in their usage patterns and service characteristics. The GS, GSD, GSLD and IS classes are not homogeneous in key characteristics, including size, load factor, coincidence factor and delivery voltage. Therefore, they should not be combined because to do so would put customers with very different characteristics in the same class.

FRF: No position.

STAFF: No. Only the GSD and GSLD classes should be combined into a single new GSD rate schedule, while the IS class should be a separate firm rate schedule. IS base rates and cost recovery clause charges (capacity, environmental, and conservation) should be designed based on the Commission-approved cost of service with IS customers fully sharing any production demand related costs based on their 12 Coincident Peak (CP) load responsibility. All GSD or IS customers should have the option of taking service under the interruptible conservation programs, GSLM-2 and GSLM-3.

ISSUE 89: Is the change in the breakpoint from 49 kW to 9,000 kWh between the GS and GSD rate schedules appropriate?

POSITIONS

TECO: Yes. Establishing an energy rather than a demand threshold will facilitate transition from one rate class to another and will reduce the need for the installation of demand meters on GS class customers for this purpose. (Ashburn)

OPC: No position.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: No position.

FRF: No position.

STAFF: Yes.

ISSUE 90: What is the appropriate meter level discount to be applied for billing, and to what billing charges should that discount be applied?

POSITIONS

TECO: The appropriate meter level discount is 1% for primary service and 2% for subtransmission. (Ashburn)

OPC: No position.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: No position.

FRF: No position.

STAFF: The appropriate meter level discount is 1 percent for customers who take energy metered at primary voltage and 2 percent for customers who take energy metered at subtransmission voltage or higher and should apply to the demand charge, energy charge, transformer ownership discount, power factor billing, emergency relay power supply charge, and any credits from optional riders.

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

POSITIONS

TECO: Yes. An inverted base energy rate for the RS rate schedule is reasonable and should be approved. The Commission recently approved inverted fuel rates for the RS rate schedule and the implementation of inverted base energy rates will provide a further conservation-oriented incentive price signal. (Ashburn)

OPC: No position.

OAG: We adopt the positions of Public Counsel.

AARP: Yes.

FIPUG: No.

FRF: No position.

STAFF: 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?

POSITIONS

TECO: Yes. The RST rate schedule should be eliminated and the approximately 40 customers taking service under RST should be transferred to their choice of the RSVP or RS rate schedule. Both of these rate schedules afford customers the opportunity to modify usage similar to RST. (Ashburn)

OPC: No position.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: No position.

FRF: No position.

STAFF: Yes.

ISSUE 93: Should TECO's proposed single lighting schedule, and associated charges, terms, and conditions be approved?

POSITIONS

TECO: Yes. TECO's proposed single lighting schedule should be approved. There is no justification for providing same lighting services under multiple schedules. TECO proposes to increase the lighting energy rate closer to parity and to adopt the lowest of multiple rates for the same facilities. (Ashburn)

OPC: No position.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: No position.

FRF: No position.

STAFF: No position at this time.

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

POSITIONS

TECO: Yes. The two new convenience service connection options and associated connection charges will allow customers to reconnect electric service sooner and are appropriate. These options will offer enhanced customer service to those willing to pay a higher cost. (Ashburn)

OPC: No. No customer service fees should be increased at the current time.

OAG: We adopt the positions of Public Counsel.

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

FIPUG: No position.

FRF: No position.

STAFF: 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?

POSITIONS

TECO: Yes. TECO's proposed Reconnect after Disconnect charges at the point of metering and at a point distant from the meter are appropriate. (Ashburn)

OPC: No. No customer service fees should be increased at the current time.

OAG: We adopt the positions of Public Counsel.

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

FIPUG: No position.

FRF: No position.

STAFF: No position at this time.

ISSUE 96: Is the proposed new meter tampering charge appropriate?

POSITIONS

TECO: Yes. The proposed new meter tampering charge, designed to recover the costs of discovering and confirming tampering when the cost of investigating and estimating is greater than the damages, is appropriate. (Ashburn)

OPC: No position.

OAG: We adopt the positions of Public Counsel.

AARP: No position.

FIPUG: No position.

FRF: No position.

STAFF: Yes. The proposed new metering charge is appropriate.

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

POSITIONS

TECO: Yes. TECO's proposed new $5 minimum is the type of assessment the Commission has approved for other utilities in recent years and it is appropriate. (Ashburn)

OPC: No.

OAG: We adopt the positions of Public Counsel.

AARP: No.

FIPUG: No position.

FRF: No position.

STAFF: Yes. The proposed new $5 minimum late payment charge is appropriate.

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

POSITIONS

TECO: The appropriate service charges are listed below. (Ashburn)

Initial Service Connection	$ 75.00
Normal Reconnect Subsequent Subscriber	$ 25.00
Same Day Reconnect	$ 65.00
Saturday Reconnect	$300.00
Reconnect after Disconnect at Meter for Cause	$ 50.00
Reconnect after Disconnect at Pole for Cause	$140.00
Field Credit Visit	$ 20.00
Tampering Charge without Investigation	$ 50.00
Return Check Fee	Per Fl. Statutes
Late Payment Charge	The Greater Of 1.5% or $5.00

OPC: No customer service fees should be increased at the current time.

OAG: We adopt the positions of Public Counsel.

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

FIPUG: No position.

FRF: No position.

STAFF: No position at this time.

ISSUE 99: What is the appropriate temporary service charge?

POSITIONS

TECO: The appropriate temporary service charge is $235. (Ashburn)

OPC: No position.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: No position.

FRF: No position.

STAFF: No position at this time.

ISSUE 100: What are the appropriate customer charges?

POSITIONS

TECO: The proposed GSD voltage level customer charges are cost-based and they appropriately recognize the voltage related cost of service differences to customers in the combined GSD rate schedule. The appropriate customer charges are listed below. (Ashburn)

RS Standard	10.50 $/bill
RSVP	10.50 $/bill
GS Standard	10.50 $/bill
GS Standard – Unmetered	9.00 $/bill
GS Time-of-Day	12.00 $/bill
TS Standard	10.50 $/bill
Metered Lighting	10.50 $/bill

GSD Standard Secondary	57.00 $/bill
GSD Standard Primary	130.00 $/bill
GSD Subtransmission	930.00 $/bill
GSD Optional Secondary	57.00 $/bill
GSD Optional Primary	130.00 $/bill
GSD Optional Subtransmission	930.00 $/bill
GSD Time-of-Day Secondary	57.00 $/bill
GSD Time-of-Day Primary	130.00 $/bill
GSD Time-of-Day Subtransmission	930.00 $/bill
SBF Standard Secondary	82.00 $/bill
SBF Standard Primary	155.00 $/bill
SBF Standard Subtransmission	955.00 $/bill
SBF Time-of-Day Secondary	82.00 $/bill
SBF Time-of-Day Primary	155.00 $/bill
SBF Time-of-Day Subtransmission ll	955.00 $/bill

OPC: No position.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: No position.

FRF: The appropriate customer charges are the existing charges, adjusted proportionally to any increase or decrease in base rate revenues approved by the Commission in this proceeding.

STAFF: No position at this time.

ISSUE 101: What are the appropriate demand charges?

POSITIONS

TECO: Demand charges are set in combination with energy charges at levels required after all charges are considered that produce the target revenue requirements for each class. The appropriate demand charges are listed below. (Ashburn)

GSD Standard (all delivery voltages)	8.94 $/kW
GSD Optional (all delivery voltages)	N/A
GSD Time-of-Day Billing(all delivery voltages)	3.10 $/kW
GSD Time-of-Day Peak (all delivery voltages)	5.84 $/kW
SBF Standard (all delivery voltages)	8.94 $/kW
SBF Time-of-Day Billing (all delivery voltages)	3.10 $/kW
SBF Time-of-Day Peak (all delivery voltages)	5.84 $/kW

OPC: No position.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: The appropriate demand charges are set out in Mr. Pollock's Exhibit JP-16 and recover demand – related costs through the demand charge.

FRF: The appropriate demand charges are the existing charges, adjusted proportionally to any increase or decrease in base rate revenues approved by the Commission in this proceeding.

STAFF: This is a fall-out issue. The demand charges should be set in combination with the energy charges to produce the target revenue requirement for each rate class based on the approved cost of service.

ISSUE 102: What are the appropriate Standby Service charges?

POSITIONS

TECO: Standby Service charges are designed in accordance with the Commission's prescribed methodology. The appropriate Standby Service charges are listed below. (Ashburn)

SBF Standby Demand Charge (All)	
SBF Local Facilities Reservation plus greater of	2.60 $/kW
SBF Power Supply Reservation	1.42 $/kW-Mo
SBF Power Supply Demand	0.57 $/kW-Day
SBF Standard Time-of-Day (all delivery voltages)	1.060 ¢/kWh
SBF-1 Standby Demand Charge (All)	
SBF-1 Local Facilities Reservation plus greater of	2.60 $/kW
SBF-1 Power Supply Reservation	1.42 $/kW-Mo
SBF-1 Power Supply Demand	0.57 $/kW-Day

SBF-1 Standard Time-of-Day (all delivery voltages)	1.060 ¢/kWh
SBF-2 Standby Demand Charge (All)	
SBF-2 Local Facilities Reservation plus greater of	2.60 $/kW
SBF-2 Power Supply Reservation	1.42 $/kW-Mo
SBF-2 Power Supply Demand	0.57 $/kW-Day
SBF-2 Standard Time-of-Day (all delivery voltages)	1.060 ¢/kWh

OPC: No position.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: No position.

FRF: The appropriate Standby Service charges are the existing charges, adjusted proportionally to any increase or decrease in base rate revenues approved by the Commission in this proceeding.

STAFF: The Standby Service charges should be designed in accordance with the Commission's prescribed methodology in Order No. 17159 and should reflect the Commission vote in Issues 80, 83, and 84.

ISSUE 103: Is TECO's proposed change in the application of the transformer ownership discount appropriate?

POSITIONS

TECO: Yes. TECO's proposed change in the application of the transformer ownership discount, by making the discount applicable to all customers who take primary service, is appropriate. (Ashburn)

OPC: No position.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: No. TECO has understated the credit as it has failed to recognize all of the costs that are avoided when a customer owns its own transformer.

FRF: Agree with FIPUG.

STAFF: Yes. TECO's proposed change in the application of the transformer ownership discount, by making the discount applicable to all customers who take primary service, is appropriate.

ISSUE 104: What is the appropriate transformer ownership discount to be applied for billing?

POSITIONS

TECO: The appropriate transformer ownership discounts are listed below. (Ashburn)

GSD Standard Primary	(0.80) $/kW
GSD Standard Subtransmission	(1.26) $/kW
GSD Optional Primary	(2.09) $/MWh
GSD Optional Subtransmission	(3.28) $/MWh
GSD Time-of-Day Primary	(0.80) $/kW
GSD Time-of-Day Subtransmission	(1.26) $/kW
SBF Supplemental Standard Primary	(0.80) $/kW
SBF Supplemental Standard Subtransmission	(1.26) $/kW
SBF Supplemental Time-of-Day Primary	(0.80) $/kW
SBF Supplemental Time-of-Day Subtransmission	(1.26) $/kW
SBF Standby Time-of-Day Primary	(0.65) $/kW
SBF Standby Time-of-Day Subtransmission	(1.29) $/kW

OPC: No position.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: The appropriate credits are shown in Exhibit JP-17.

FRF: Agree with FIPUG.

STAFF: No position at this time.

ISSUE 105: What are the appropriate emergency relay service charges?

POSITIONS

TECO: The appropriate emergency relay service charges are listed below. (Ashburn)

GS Emergency Relay Charge	0.165 ¢/kWh
GSD Standard (all delivery voltages)	0.65 $/kW
GSD Optional (all delivery voltages)	0.65 $/kW
GSD Time-of-Day Billing (all delivery voltages)	0.65 $/kW
SBF Supplemental	0.65 $/kW
SBF Standby	0.65 $/kW

OPC: No position.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: No position.

FRF: No position.

STAFF: 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?

POSITIONS

TECO: 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 are $70 for the GST rate schedule and $0 for the GSDT rate schedule. (Ashburn)

OPC: No position.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: No position.

FRF: No position.

STAFF: 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 are $70 for the GST rate schedule and $0 for the GSDT rate schedule.

ISSUE 107: What are the appropriate energy charges?

POSITIONS

TECO: The appropriate energy charges are listed below. (Ashburn)

RS Standard First 1,000 kWh	5.079 ¢/kWh
RS Standard All Additional kWh	6.079 ¢/kWh
RSVP All Periods	5.429 ¢/kWh
GS Standard	5.429 ¢/kWh
GS Time-of-Day On-Peak	14.873 ¢/kWh
GS Time-of-Day Off-Peak	1.060 ¢/kWh
TS Standard	5.429 ¢/kWh
Lighting	2.993 ¢/kWh
GSD Standard	1.693 ¢/kWh
GSD Optional	6.515 ¢/kWh
GSD Time-of-Day On-Peak	3.243 ¢/kWh
GSD Time-of-Day Off-Peak	1.060 ¢/kWh
SBF Supplemental Energy Standard	1.693 ¢/kWh
SBF Supplemental Energy Time-of-Day, On-Peak	3.243 ¢/kWh
SBF Supplemental Energy Time-of-Day, Off-Peak	1.060 ¢/kWh

OPC: No position.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: The appropriate non-fuel energy charges are set out in Mr. Pollock's Exhibit JP-16.

FRF: The appropriate energy charges are the existing charges, adjusted proportionally to any increase or decrease in base rate revenues approved by the Commission in this proceeding.

STAFF: No position at this time. This is a fall-out issue.

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?

POSITIONS

TECO: The changes proposed by TECO regarding cost of service allocation and rate design (i.e., consolidation of rate classes, conversion of IS and changing recovery clause rates for GSD to a billing demand basis) should be made to TECO's rates established in the identified dockets to recognize decisions in this docket. Recovery factors for the cost recovery clauses must be revised when the base rate changes in this proceeding go into effect, as was proposed in the identified dockets. Those proposed revised recovery factors reflect the proposed change to the cost of service methodology, consolidation of the GSD, GSLD and IS rate classes, and the change of recovery in the Capacity Cost Recovery and Energy Conservation Cost Recovery clauses to be applicable to GSD standard rate billing demand rather than kWh. This last change is appropriate because the Capacity Cost Recovery and Energy Conservation Cost Recovery clauses are predominantly capacity related and it is appropriate to recover these costs on a demand basis. (Ashburn)

OPC: No position.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: Changes in allocation and rate design made in this docket should be made in the clause recovery dockets.

FRF: No position.

STAFF: The changes in allocation and rate design to TECO's capacity cost recovery factors established in Docket No. 080001-EI, conservation cost recovery factors established in Docket No. 080002-EI, and environmental cost recovery factors established in Docket No. 080007-EI should reflect the Commission vote in Issues 83, 87, and 88. In addition, the capacity cost recovery clause and energy conservation cost recovery clause factors should be recovered on demand basis rather than an energy basis as it is currently done.

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

POSITIONS

TECO: The tariff includes a Facilities Rental Agreement with monthly rental factors and annual termination factors applicable to facilities TECO may agree to lease to customers. The appropriate monthly rental factors and termination factors to be approved are listed below. (Ashburn)

Monthly Rental Factor	1.25%
Termination Factors:	
Year 1	4.1%
Year 2	7.9%
Year 3	11.4%
Year 4	14.5%
Year 5	17.3%
Year 6	19.7%
Year 7	21.8%
Year 8	23.4%
Year 9	24.7%
Year 10	25.5%
Year 11	25.8%
Year 12	25.7%
Year 13	25.0%
Year 14	23.7%
Year 15	21.7%
Year 16	19.0%
Year 17	15.6%
Year 18	11.3%
Year 19	6.1%
Year 20	0.0%

OPC: No position.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: No position.

FRF: No position.

STAFF: No position at this time. This is a fall-out issue

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

POSITIONS

TECO: No. It is not appropriate and it would result in subsidization by all other customers. Furthermore, TECO does not have sufficient load research data necessary to develop such a rate; however, it is likely that for county public schools, a cost-based rate would result in rates higher than current rates. (Ashburn)

OPC: No position.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: No position.

FRF: No position.

STAFF: No. When the Commission moved to cost-based rates following the adoption of the Public Utility Regulatory Policies Act (PURPA), specific end-use rates were eliminated in favor of rate classification based on usage characteristics. Specifically, in Order No. 8950, issued on July 13, 1979, the Commission found that:

> Separate rate schedules should be allowed only to the extent that they reflect different use and load characteristics and hence, different costs associated with serving that class of customers. As a result, rate schedules to serve specific customers, (cotton gins, commercial bakeries, all-electric customers, etc.) will no longer be permitted and such classifications as "commercial" or "industrial" should be eliminated.

There is no evidence in this record that county public schools exhibit specific usage characteristics that would allow a cost based rate to be designed. In response to staff Interrogatory No. 227, TECO states that the load research the company has on county public schools does not represent a statistically valid sample that could be used for purposes of providing a separate class of service in its retail cost of service study. TECO further states that the usage characteristics of the county public schools that were included in the load research sampling process, indicate a higher cost of service for county public schools than either the GSD or GSLD rate class, the rate classes in which schools are currently included.

If a non-cost compensatory discount rate was approved for the schools, then rates for the rest of the ratepayers would be higher to subsidize the rate provided to the schools. In response to staff interrogatory No. 229, TECO lists numerous energy efficiency conservation programs available to commercial customers, including county public schools, which can assist in reducing electric costs.

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

POSITIONS

TECO: The revised rates should become effective for meter readings taken on or after 30 days following the date of the Commission vote approving the rates and charges which, under the current schedule, would mean for meter readings taken on or after May 7, 2009. (Ashburn)

OPC: No position.

OAG: We adopt the positions of Public Counsel.

AARP: Same as Office of Public Counsel.

FIPUG: No position.

FRF: No position.

STAFF: The revised rates should become effective for meter readings on or after 30 days following the date of the Commission vote approving the rates and charges.

OTHER ISSUES

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

POSITIONS

TECO: Yes. The TBRA will facilitate a cost effective means of regional planning and transmission construction resulting in lower customer costs. With enhanced regulatory mandates and the nature of regional planning, transmission investment can be volatile (making a cost recovery clause appropriate) given third party impacts and FRCC's cost allocation methodology. (Haines, Chronister)

OPC: No. Although the costs associated with the existing clauses are within the utility's control, the Commission or the Legislature has decided to diminish the utilities exposure to the under-recovery of these costs. Further, some of the clauses provide a benefit to ratepayers through a reduction of costs. There is no need to remove transmission costs from base rates which will, in effect, reduce the Company's risk to plan and properly build transmission facilities. Given the long time frame required to build transmission, the utility has ample time to request a base rate change if needed. There is also no benefit to ratepayers to remove these costs from base rates. The Company, presently, recovers almost 60% of its revenues through clause, shifting these costs to a clause will also shift risk to ratepayers, and add additional administrative costs unnecessarily. Therefore, the Company request to create this new clause should be denied. (Larkin)

OAG: We adopt the positions of Public Counsel.

AARP: No. Same as Office of Public Counsel.

FIPUG: No. TECO already has 4 separate cost recovery clauses and there is no need to add an additional clause which will exacerbate TECO's ability to change rates outside of a rate case. Transmission investment does not meet any of the criteria for a recovery clause – it is not material, volatile or beyond TECO's control. Thus, an additional recovery clause is inappropriate.

FRF: No. Transmission-related costs are base rate-type costs that should be incorporated into, and recovered through, base rates. Particularly in light of the long time frame required to plan and construct transmission facilities, these costs should be recovered through base rates after all costs are considered in a base rate proceeding.

STAFF: No. TECO's proposed Transmission Base Rate Adjustment mechanism (TBRA) considers the cost of constructing new transmission facilities in isolation, without considering potential increases in revenues from additional sales or decreases in rate base due to retirements or depreciation that may offset the impact of construction costs. If the cost of additional transmission facilities does necessitate a rate increase, the long-term nature of transmission planning, design, and construction would afford TECO sufficient time to request a base rate increase.

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?

POSITIONS

TECO: Yes. (Chronister)

OPC: Yes.

OAG: We adopt the positions of Public Counsel.

AARP: Yes. Same as Office of Public Counsel.

FIPUG: Yes.

FRF: Yes.

STAFF: Yes. TECO should 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.

ISSUE 114: Should this docket be closed?

POSITIONS

TECO: Yes. (Legal)

OPC: No at this time.

OAG: We adopt the positions of Public Counsel.

AARP: No at this time.

FIPUG: Not at this time.

FRF: Yes.

STAFF: No position at this time.

IX. EXHIBIT LIST

Witness	Proffered By		Description
Direct			
Charles R. Black	TECO	CRB-1	Witness sponsored MFRs and public notice
Charles R. Black	TECO	LFE-2	Notice of Publication

Witness	Proffered By		Description
Charles R. Black	TECO	LFE-10	Customer Rose Thompson – Two Year Billing History
Charles R. Black	TECO	LFE-11	Bill Payment Locations – Free and Nominal Fee
Gordon L. Gillette	TECO	GLG-1	Witness sponsored MFRs and documents supportive of witness's direct testimony including rate base and base revenue comparison, non-fuel and base revenue comparison, utility credit rating and Tampa Electric's credit methods
Susan D. Abbott	TECO	SDA-1	Witness's prior testimony; rating symbols; public utility commission ranking; Standard & Poor's corporate rating matrix and Tampa Electric's metrics matrix versus S&P's matrix
Donald A. Murry, Ph.D.	TECO	DAM-1	Documents supportive of witness's cost of capital analysis and recommended rate of return
Lorraine L. Cifuentes	TECO	LLC-1	Witness sponsored MFRs and documents supporting the appropriateness and reasonableness of Tampa Electric's demand and energy forecasting process, methodologies and assumptions and the forecasts used in the company's budget supporting its request for a base rate increase

Witness	Proffered By		Description
Mark J. Hornick	TECO	MJH-1	Witness sponsored MFRs; 2009 production, construction and O&M budgets; total system equivalent availability factor and total system heat rate
Joann T. Wehle	TECO	JTW-1	Witness sponsored MFRs and 2009 proposed coal inventory, historical coal inventory levels, and 2009 proposed total fuel inventory
Regan B. Haines	TECO	RBH-1	Witness sponsored MFRs and documents supporting Tampa Electric's T&D related capital and O&M expenses for the 2009 test year including T&D related price increases, test year investments in O&M, SAIDI comparison and projected storm hardening activities
Dianne S. Merrill	TECO	DSM-1	Witness sponsored MFRs and documents supportive of the witness's testimony regarding the reasonableness of Tampa Electric's forecasted payroll and benefits expense for 2009
Edsel L. Carlson, Jr.	TECO	ELC-1	Witness sponsored MFR
Steven P. Harris	TECO	SPH-1	Transmission and Distribution Assets – Storm Loss and Reserve Performance Analysis
Alan D. Felsenthal	TECO	ADF-1	Witness sponsored MFRs and calculation of IRC required deferred income tax adjustment

Witness	Proffered By		Description
Jeffery S. Chronister	TECO	JSC-1	Witness sponsored MFRs and documents supporting the various components of the company's revenue requirement requests for the 2009 projected test year
William R. Ashburn	TECO	WRA-1	Witness sponsored MFRs; proposed rate schedule changes; comparison of class allocated cost of service study results for the test year 2009; development of target proposed revenue increase by class and summary of resultant proposed class parity ratios and rates of return for the test period 2009
William R. Ashburn	TECO	LFE-12	Inverted Rate Analysis – Percentage of Customers by Usage Level – Average Use by KWH by Person
Dr. J. Randall Woolridge	OPC	Appendix 1	Qualifications
Dr. J. Randall Woolridge	OPC	JRW-1	Recommended Rate of Return
Dr. J. Randall Woolridge	OPC	JRW-2	Interest Rates
Dr. J. Randall Woolridge	OPC	JRW-3	Summary Financial and Risk Statistics for Proxy Group
Dr. J. Randall Woolridge	OPC	JRW-4	Capital Structure Ratios and Debt Cost Rate
Dr. J. Randall Woolridge	OPC	JRW-5	The Relative Risk of Stocks and Bonds
Dr. J. Randall Woolridge	OPC	JRW-6	The Relationship Between Estimated ROE and Market-to Book Ratios
Dr. J. Randall Woolridge	OPC	JRW-7	Public Utility Capital Cost Indicators

Witness	Proffered By		Description
Dr. J. Randall Woolridge	OPC	JRW-8	Industry Average Betas
Dr. J. Randall Woolridge	OPC	JRW-9	Three-Stage DCF Model
Dr. J. Randall Woolridge	OPC	JRW-10	DCF Study
Dr. J. Randall Woolridge	OPC	JRW-11	CAPM Study
Dr. J. Randall Woolridge	OPC	JRW-12	Summary of Tampa's Equity Cost Rate Approaches and Results
Dr. J. Randall Woolridge	OPC	JRW-13	Analysis of Analysts' EPS Growth Rate Forecasts
Dr. J. Randall Woolridge	OPC	JRW-14	Analysis of Value Line's EPS Growth Rate Forecasts
Dr. J. Randall Woolridge	OPC	JRW-15	Historic Equity Risk Premium Evaluation
Dr. J. Randall Woolridge	OPC	JRW-16	CFO's Equity Risk Premium
Hugh Larkin, Jr.	OPC	Appendix 1	Qualifications
Hugh Larkin, Jr.	OPC	HL-1	Composite Exhibit (Schedules A, A-1, B-1, B-2, B-3, B-4, B-5, B-6, C-1, C-2, C-3, C-13, C-14, D-1)
Helmuth W. Schultz, III	OPC	Appendix 1	Qualifications
Helmuth W. Schultz, III	OPC	HWS-1	Composite Exhibit (Schedules C-4 to C-12)
Stephen A. Stewart	AARP	SAS-1	Qualifications and experience
Tom Herndon	FIPUG/FRF	TH-1	Resume of Tom Herndon
Jeffry Pollock	FIPUG	JP-1	Historical Plant Outages – Big Bend; Total Planned Outages
Jeffry Pollock	FIPUG	JP-2	Big Bend Station Business Plan
Jeffry Pollock	FIPUG	JP-3	Total Planned Outage Costs - All Plants

Witness	Proffered By		Description
Jeffry Pollock	FIPUG	JP-4	Comparison of Incentive Compensation Paid vs. Targeted
Jeffry Pollock	FIPUG	JP-5	Analysis of Characteristics of GSD, GSLD and IS classes
Jeffry Pollock	FIPUG	JP-6	Cost Allocation Using the 12CP - 25% AD Method
Jeffry Pollock	FIPUG	JP-7	Allocation of Production Plant and Fuel Costs Under the 12CP - 25% AD Method/Comparison of Net Plant Investment and Fuel Costs by Capacity Type
Jeffry Pollock	FIPUG	JP-8	Analysis of Monthly Peak Demands/Analysis of System Load Characteristics
Jeffry Pollock	FIPUG	JP-9	Reserve Margins as a Percent of Firm Peak Demand
Jeffry Pollock	FIPUG	JP-10	Revised Cost of Service Study
Jeffry Pollock	FIPUG	JP-11	Current Interruptible Credits
Jeffry Pollock	FIPUG	JP-12	Allocation of Interruptible Credits
Jeffry Pollock	FIPUG	JP-13	Proposed Base Revenue Increase
Jeffry Pollock	FIPUG	JP-14	FIPUG Recommended Base Revenue Allocation
Jeffry Pollock	FIPUG	JP-15	Summary of Cost of Service Study at FIPUG Recommended Rates
Jeffry Pollock	FIPUG	JP-16	Cost of Service Study at Present Rates With Interruptible Price at Firm and Big Bend Scrubber and Polk Gasifier Classified on Demand

Witness	Proffered By		Description
Jeffry Pollock	FIPUG	JP-17	Transformer Discount
Jeffry Pollock	FIPUG	JP-18	Proposed Net Increase to Non-Firm Rates
Jeffry Pollock	FIPUG	JP-19	Derivation of Revised Contracted Capacity Value
Kevin W. O'Donnell	FRF	KWO-1	DCF Results
Kevin W. O'Donnell	FRF	KWO-2	DCF Summary
Kevin W. O'Donnell	FRF	KWO-3	Plowback Comparison
Kevin W. O'Donnell	FRF	KWO-4	Equity Return Comparison
Kevin W. O'Donnell	FRF	KWO-5	Capital Structure
Kevin W. O'Donnell	FRF	KWO-6	Qualifications (Originally submitted as Appendix A to testimony)
Rebuttal			
Gordon L. Gillette	TECO	GLG-2	Documents supporting witness's rebuttal of witnesses Woolridge, O'Donnell, Herndon, Larkin, and Stewart including S&P methodology and new issue summary
Donald A. Murry, Ph.D.	TECO	DAM-2	Documents supportive of witness's rebuttal of witnesses Woolridge, O'Donnell and Herndon
Mark J. Hornick	TECO	MJH-2	Tampa Electric Company total planned outages for all plants, supporting the witness's rebuttal of witnesses Schultz, Larkin and Pollock

Witness	Proffered By		Description
Joann T. Wehle	TECO	JTW-2	Documents supporting witness's rebuttal of witness Larkin including an excerpt from a prior commission order and the executive summary of a rail feasibility study
Regan B. Haines	TECO	RBH-2	Documents supporting witness's rebuttal of witnesses Schultz, Larkin and Pollock including 2009 substation preventive and maintenance and historical SAIDI goals and performance
Dianne S. Merrill	TECO	DSM-2	Documents supporting the witness's rebuttal of witnesses Schultz and Pollock, including 2007 BENVAL studies related to compensation and benefits
William R. Ashburn	TECO	WRA-2	Documents supporting the witness's rebuttal of witness Pollock including average monthly load data, a revised exhibit JP-7; description of the discount being realized by general service interruptible customers under the company's proposed rate and a comparison of IS credit rate designs

Parties and Staff reserve the right to identify additional exhibits for the purpose of cross-examination.

X. PROPOSED STIPULATIONS

There are no proposed stipulations at this time.

XI. PENDING MOTIONS

On January 7, 2009, FIPUG filed a motion to strike the prefiled testimony and exhibits of Susan D. Abbott and Gordon L. Gillette.

XII. PENDING CONFIDENTIALITY MATTERS

Tampa Electric has pending several requests for confidential treatment of information as follows:

Document Number	Date	Description
11424-08	12/10/2008	Request for confidential classification and motion for temporary protection order [of DN11425-08]
11421-08	12/10/2008	Request for confidential classification and motion for temporary protective order [of DN11422-08]
10922-08	11/24/2008	Request for confidential classification and motion for temporary protective order [of DN 10923-08]
10836-08	11/20/2008	Request for confidential classification and motion for temporary protective order [of DN 10837-08]
10439-08	11/07/2008	Request for confidential classification and motion for temporary protective order [of DN 10440-08]
09995-08	10/20/2008	Request for confidential classification and motion for temporary protective order [of DN 09996-08]
09989-08	10/20/2008	Request for confidential classification and motion for temporary protective order [of DN 09990-08]
08629-08	09/15/2008	Request for confidential classification and motion for temporary protective order [of DN 08630-08]
07884-08	08/29/2008	Request for confidential classification and motion for temporary protective order [pertaining to MFRs Schedule D-2 (DN 07080-08)]
07079-08	08/11/2008	Notice of intent to seek confidential classification of portions of MFR Schedule D-2 [DN 07080-08]

These requests will be addressed by separate order.

XIII. POST-HEARING PROCEDURES

If no bench decision is made, each party shall file a post-hearing statement of issues and positions. A summary of each position of no more than 75 words, set off with asterisks, shall be included in that statement. If a party's position has not changed since the issuance of this Prehearing Order, the post-hearing statement may simply restate the prehearing position; however, if the prehearing position is longer than 75 words, it must be reduced to no more than 75 words. If a party fails to file a post-hearing statement, that party shall have waived all issues and may be dismissed from the proceeding.

Pursuant to Rule 28-106.215, F.A.C., a party's proposed findings of fact and conclusions of law, if any, statement of issues and positions, and brief, shall together total no more than 100 pages and shall be filed at the same time.

XIV. RULINGS

FIPUG's request to include Issues 35 and 36 is denied.

Opening statements, if any, shall not exceed ten minutes per party.

Witnesses summaries, if any, shall not exceed five minutes.

Post-hearing briefs, if any, shall not exceed 100 pages.

Post-hearing position statements on each issue shall not exceed 75 words.

FIPUG's witness Jeffry Pollock shall present his direct testimony out of order and said testimony shall be presented on January 29, 2009.

FIPUG's motion to strike the prefiled testimony and exhibits of Susan D. Abbott and Gordon L. Gillette will addressed by separate order.

It is therefore,

ORDERED by Commissioner Nathan A. Skop, as Prehearing Officer, that this Prehearing Order shall govern the conduct of these proceedings as set forth above unless modified by the Commission.

By ORDER of Commissioner Nathan A. Skop, as Prehearing Officer, this 16th day of January, 2009.

NATHAN A. SKOP
Commissioner and Prehearing Officer

(S E A L)

KY

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Office of Commission Clerk, in the form prescribed by Rule 25-22.0376, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.