BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for Rate Increase by Tampa Electric Company ______________________________/

Docket No. 080317-EI
Filed: November 26, 2008

DIRECT TESTIMONY

OF

HELMUTH W. SCHULTZ, III

On behalf of the Citizens of the State of Florida

Respectfully submitted,

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TAMPA ELECTRIC COMPANY

DOCKET NO. 080317-EI

I. INTRODUCTION

Q. WHAT IS YOUR NAME, OCCUPATION AND BUSINESS ADDRESS?

A. My name is Helmuth W. Schultz, III. I am a Certified Public Accountant licensed in the States of Michigan and Florida and the senior partner of the firm of Larkin & Associates, PLLC, Certified Public Accountants, with offices at 15728 Farmington Road, Livonia, Michigan 48154.

Q. PLEASE DESCRIBE THE FIRM LARKIN & ASSOCIATES, PLLC.

A. Larkin & Associates, PLLC, is a Certified Public Accounting and Regulatory Consulting Firm. The firm performs independent regulatory consulting primarily for public service/utility commission staffs and consumer interest groups (public counsels, public advocates, consumer counsels, attorney general, etc.). Larkin & Associates, PLLC, has extensive experience in the utility regulatory field as expert witnesses in over 800 regulatory proceedings including numerous electric, water and sewer, gas and telephone utilities.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE FLORIDA PUBLIC COMMISSION?

A. Yes. I have testified before the Florida Public Service Commission on a number of occasions.

Q. HAVE YOU PREPARED AN APPENDIX WHICH DESCRIBES YOUR QUALIFICATIONS AND EXPERIENCE?

A. Yes. I have attached Appendix I which is a summary of my regulatory qualifications and experience.

Q. BY WHOM WERE YOU RETAINED?

A. Larkin & Associates, PLLC was retained by the Florida Office of Public Counsel ("OPC"). Accordingly, I am appearing on behalf of the Citizens of Florida ("Citizens").

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. Our firm was asked by the Public Counsel to analyze the requested rate increase requested by Tampa Electric and provide our analysis of what rate increase is justified.

Q. WHAT ARE THE RESULTS OF YOUR ANALYSIS OF THE REQUESTED INCREASE FOR TAMPA ELECTRIC?

A. We are recommending that the Commission adjust various expenses requested by Tampa Electric, because the Company's requested expense levels were not justified. My testimony addresses operating expense issues related to payroll and employee benefits, directors and officers insurance expense, storm hardening activities such as tree trimming, inspections and maintenance, rate case expense and office supplies expense. I also address capital structure issues related to deferred income taxes and investment tax credits

Q. DO YOU HAVE ANY EXHIBITS ATTACHED TO YOUR TESTIMONY?

A. Yes. I have attached Exhibit HWS-1, which consists of Schedules C-4 through C-12, which support my adjustments. Hugh Larkin's Exhibit HL-1 contains Schedules A, B and C-1 through C-3. My adjustments have been reflected in the exhibit of Mr. Hugh Larkin, Jr.

III. PAYROLL

Q. ARE THERE CONCERNS WITH THE COMPANY'S PAYROLL REQUEST FOR THE PROJECTED TEST YEAR?

A. Yes. I have three concerns with the Company's requested payroll: 1) the overtime dollars included in the filing have not been identified or tracked by the Company; 2) the Company has requested 151 additional employees above the 2007 levels; and 3) the Company's requested incentive compensation plan is problematic.

Q. WHAT IS THE PROBLEM WITH THE OVERTIME DOLLARS IN THE PROJECTED TEST YEAR?

A. The problem with the Company's proposed overtime dollars is that we have no idea what amount is included in the test year. The response to OPC Interrogatory No. 35 states that the Company's budget system does not have a detail breakout of overtime and other pay for 2008 and 2009. It is astonishing that a company the size of Tampa Electric does not have a budgeting system sophisticated enough to be able to identify the overtime included in its budget. That raises serious concerns as to how the Company can measure performance when an important component of payroll is not tracked and/or monitored.

Q. WHY IS THERE A CONCERN WITH THE COMPANY'S PROPOSED ADDITION OF 151 EMPLOYEES?

A. There is no justification provided in Tampa Electric's filing for an increase in the employee complement of this magnitude. Based on the response to OPC Interrogatory No. 56, the Company has decreased its employee complement in 11 of the last 15 years (since 1992). Only in 2006 and 2007 did Tampa Electric have consecutive increases in its employees. However, any additional employee increase beyond 2007 does not appear to be justified. According to the Company's testimony, this filing is driven by the following: 1) customer growth that is projected at an annual rate of

2.1% over the next ten years; 2) increased customer demand; 3) maintenance on an aging infrastructure; 4) increases in materials costs; and 5) weather and regulatory compliance. The increase in materials costs, customer demand and weather do not have any impact on the number of employees. The annual customer growth of 2.1% is less than the 2.8% annual customer growth experienced over the last 16 years where Tampa Electric has reduced the number of required employees by approximately 24%. While increased maintenance and regulatory compliance may require a minimal addition to the employee complement, it does not justify the 151 positions the Company has reflected in the filing.

Q. WHAT CHANGES HAVE OCCURRED IN 2008 WITH THE EMPLOYEE COMPLEMENT?

A. The Company had 2,531 employees as of December 31, 2007. While the employee compliment has fluctuated monthly in 2008, as of September 30, 2008, the employee count was 2,531. Based on my analysis, I believe that the Company's employee complement of 2,638 for the projected test year is overstated.

Q. WHAT ADJUSTMENT ARE YOU RECOMMENDING TO THE EMPLOYEE COMPLEMENT?

A. The Company's request should be reduced by 90 positions to a complement of 2,548. This is 17 positions more than year end 2007 and the September 30, 2008, level, and 61 positions more than the average for the historical test year 2007. As shown on Exhibit HWS-1, Schedule C-4, the reduction of 90 positions reduces O&M expense by $3,676,382 to a more reasonable expense level of $104,082,450. This is a reduction of $3,568,109 on a jurisdictional basis.

IV. INCENTIVE COMPENSATION

Q. HAVE YOU REVIEWED THE COMPANY'S REQUEST FOR INCENTIVE COMPENSATION?

A. Yes. The Company is requesting recovery of $11,574,843 for incentive compensation. The Company has opined that the incentive compensation is required to attract, retain and motivate high performing goal-oriented team members and is "at risk" pay because it is based on meeting performance goals. However, the description of the plans objectives is misleading from a ratemaking perspective, in that the plan heavily favors shareholder oriented objectives/goals. There are significant doubts as to whether this incentive pay is truly "at risk" based on the target setting. Moreover, ratepayers are being requested to pay more than their fair share of the incentive plan, even assuming that this type of incentive plan is reasonable.

Q. ARE YOU RECOMMENDING THAT AN ADJUSTMENT TO THE COMPANY'S REQUEST BE MADE?

A. Yes. The entire cost of the plan should be excluded from rates. The Company has failed to document the need to add incentive pay above employee salaries to retain or motivate its employees. The Company can continue the plan; however, shareholders should be responsible for the entire cost of the plan. Even if the Company could demonstrate some ratepayer benefit from this type of incentive plan, the ratepayers and the shareholders should share the target level cost of the plan equally.

Q. DOES THE PLAN ACTUALLY CREATE PERFORMANCE INCENTIVES THAT PLACE EMPLOYEE PAY "AT RISK" BASED ON MEETING MEANINGFUL TARGETS?

A. No. A review of the goals and achievements of goals for the period of 2003-2007 raised a number of concerns. First, the goals set by the Company and the determination of eligibility payments under the plan is seriously flawed, particularly from a ratemaking and ratepayer prospective. I cite several troubling examples of the Company setting targets and goals so that the employees are not required to improve performance in order to receive incentive pay which I found in my review of the plan.

For example in 2003, the Company had a target goal for customer satisfaction of 94% and the Company achieved a 95% customer satisfaction rate that year. The following year in 2004, the Company should have raised its target to at least 95%, but instead kept the target level at 94%. The Company met its 2004 goal with a 96% customer satisfaction rating. Again in the next year, 2005, the Company failed to raise the target level to the actual 2004 customer satisfaction rating of 96%, instead the target was set at 95%. The target has remained at 95% since 2005. As one can see from this example, employees were not required to improve their performance to receive incentive pay, but could have, in fact, decreased their performance from the previous year and receive incentive pay.

Another example is the 2006 SAIDI target. The 2006 SAIDI target was set at a no more than 90 minute average annual outage time that was achieved with an actual of 83.22 minutes. The 2007 target goal was reduced, not to the 2006 achievement level, but to 85 minutes. Thus, all the Company employees had to do is continue to perform at the same or lower level and they would accomplish the goal without improving reliability. You can not call this an incentive plan if the goals are not increased to a level that provides incentives to improve the actual performance year to year.

Q. ARE THERE OTHER CONCERNS WITH THE GOALS THAT THE COMPANY SET DURING THE PERIOD OF YOUR REVIEW?

A. Yes. In 2005, the Company failed to meet the Success Sharing goals for safety. Instead of maintaining the goals at the 2005 level, the Company changed its goals for 2006 to allow for more preventable accidents and an increased incident rate. This has two down sides. First, it suggests that safety is not a priority if you were willing to accept more accidents. Second, it suggests that this plan is being designed to assure that payments will be made.

Next, the Company did not meet reliability goals for SAIDI in 2003, 2004 or 2005. In 2006, the target for SAIDI minutes was increased from "no more than" 67 minutes for average annual outage time to 90 minutes for an average annual outage time. It is not appropriate for the Company to lower its standards to make them easier to achieve so that incentive compensation can be paid out. The Company has sent the wrong signal to its employees by lowering targets and suggesting that a lower level of performance is acceptable.

Q. WHAT DID YOUR REVIEW INDICATE WITH RESPECT TO THE RESULTS OF THOSE GOALS?

A. Based on the response to OPC Interrogatory No. 30, the Company failed to achieve its target for five of the seven Success Sharing goals in 2003. In 2004, two of seven goals were not achieved. In 2005, five of seven goals were not achieved. In 2006, two of seven goals were not achieved and in 2007, two of seven goals were not achieved. Yet despite the fact that goals were not achieved in each of the five years, the Company still expensed and paid 18%-49% more than the target level of incentive compensation budgeted during the years 2004-2007.

More astounding is that the 2005 Success Sharing results showed that the Company failed to meet five of seven targets (the safety target, the environmental target, the SAIDI target, its cost recovery clause target and Tampa Electric's net income target). Even after missing five of the targets, Tampa Electric still had an expense for incentive compensation that was more than 49% above the target incentive amount. This payout is troubling since the Company stated in response to OPC Interrogatory No. 54 that if goals are not achieved, no Success Sharing payout is made.

Q. DID YOU INQUIRE AS TO HOW THIS COULD OCCUR?

A. Yes, the Company was requested in OPC Interrogatory No. 98 to explain how incentive pay can be in excess of target when goals were not achieved. Tampa Electric indicated in its response that because some goals may have been achieved above the target level that those better than expected results could offset the below target results. In describing the goals, Tampa Electric's response stated that the corporate and operating financial goals are quantitative and the individual goals are qualitative. However, this response is very broad and generic and it did not answer the question asked. Specifically, the response did not explain how the 2004-2007 incentive costs were above target when approximately half of the goals in each of the respective years were not achieved.

Given the fact that the Success Sharing is the major component of the incentive compensation expense, this response suggests that the majority of the weighting is on the two shareholder financial goals with less weighting on the five non-financial goals that deal with customer concerns. Since the financial goals are shareholder related, shareholders should be responsible for the cost of the incentive compensation plan. It is not appropriate for ratepayers to pay for incentive compensation that places shareholder benefits above customer benefits.

Q. WHY DID YOU STATE THAT THE OBJECTIVES OF THE PLAN ARE MISLEADING?

A. There is no evidence that the payment of incentive compensation is required to attract and retain employees. While incentive compensation is offered by many companies, there also is no evidence that it has to be included in rates to attract and retain employees. Moreover, the Company has conducted no studies that demonstrate the compensation levels prior to adding the incentive compensation are not adequate in and of themselves to attract and retain employees.

Q. HOW HAS THE COMPANY PERFORMED OVER THE YEARS THAT YOU REVIEWED?

A. While the shareholders financial results were favorable (i.e. generally above target), the environmental achievement was not favorable and the reliability and safety achievement was less than favorable (less than the target level). Based on the response to OPC Interrogatory No. 31, the financial goals are what are emphasized the most and the financial goals are more shareholder oriented.

Q. WHAT DID YOU MEAN THAT THERE ARE SERIOUS CONCERNS ABOUT THE GOALS AND THE DETERMINATION OF THE PAYMENT TO ELIGIBLE PARTICIPANTS OF THE PLAN?

A. As discussed above, the major concern with the goal setting is that they do not provide sufficient incentive to perform at a level that would result in improvements in operations and customer service. The ratepayer benefit does not exist. The concern with the determination of payments to eligible participants of plan is that in each of the years 2004-2007 the incentive payout exceeded the target even though there were goals that were not achieved. To add to that concern, the Company's response to OPC Interrogatory No. 53 indicates that during the time period 2004-2007, the only year an eligible employee did not receive an award was 2004. And in 2004, there was only one eligible employee that did not receive an award of the 2,435 employees that were eligible. Based on these results there does not appear to be any pay that is "at risk." Incentive compensation is extra compensation that is added to base compensation.

Q. ARE THERE ANY OTHER PROBLEMS WITH THE COMPANY'S INCENTIVE COMPENSATION REQUEST?

A. Yes. The incentive compensation amount is based on the employees pay. Some employee pay is capitalized, yet 100% of incentive compensation is expensed. Generally accepted accounting principles and FERC accounting requires that costs directly related to payroll be capitalized. The Company's costs for medical insurance, pensions and payroll taxes are subject to capitalization and so should incentive compensation.

Q. DID YOU INQUIRE AS TO WHETHER THE INCENTIVE COMPENSATION WAS CAPITALIZED OR NOT?

A. Yes. The Company was asked in OPC Interrogatory No. 100 about capitalization. In its response, the Company stated that "Incentive compensation is allocated based on the internal labor charges to expense, capital and other activities" which is in direct contradiction to the information the Company supplied in response to OPC Interrogatory No. 29 and OPC Interrogatory No. 35. The response to OPC Interrogatory No. 35 identified the incentive compensation in 2007 included in gross pay to be $12,762,948. The response to OPC Interrogatory No. 29 specifically indicated that the 2007 actual expensed incentive compensation was

$12,762,948. Based on the responses to OPC Interrogatory No. 29 and OPC Interrogatory No. 35, the incentive compensation is 100% expensed.

Q. WHAT IS YOUR RECOMMENDATION ON THE COMPANY'S REQUEST FOR INCENTIVE COMPENSATION?

A. The entire $11,574,843 ($11,233,952 on a jurisdictional basis) should be disallowed because the Company's goals are not sufficiently established to require improvements that will provide either a cost benefit or safer and more reliable service to customers. If the Commission were to conclude that some expense is justified, the Commission should first limit the amount to the same expense percentage used for base payroll and overtime, and then limit the amount expensed to ratepayers to no more than 50% of the amount presumed to be justified. Because shareholders and ratepayers would conceptually benefit from a true incentive plan, the cost of that plan should be shared equally.

V. EMPLOYEE BENEFITS

Q. WHAT IS THE COMPANY REQUESTING FOR EMPLOYEE BENEFITS IN 2009?

A. The Company's request for 2009 includes $73,804,000 for employee benefits and according to the response to OPC Interrogatory No. 43 the amount expensed is $44,030,377.

Q. ARE THERE PROBLEMS WITH THE COMPANY'S REQUEST?

A. Yes. The first concern is that the amount requested is overstated. As noted earlier in this testimony, the Company has requested the addition of 151 positions that are not justified by the filing. Second, there are problems with the Company's increase in 401(k) matching that took effect in April of 2007. Finally, the level of employee sharing in health care is also a concern because they may not include a pooper amount of employee contribution. However, the Company failed to provide sufficient documentation to recommend an adjustment at this time.

Q. WHAT IS THE PROBLEM WITH THE COMPANY'S 401(K) MATCHING?

A. Effective April 2007, the fixed match was increased from .30 to .50. The problem with the Company's increase is that the economy has forced a lot of changes on individuals and companies alike, as discussed below, yet Tampa Electric seems to be ignoring these changes. For example, some utilities have gone from a defined benefit retirement plan to a cash plan and others have ended the enrollment of employees in the defined benefit plans opting for cash plans or enhanced 401(k) plans. It is not appropriate for the Company to increase the contribution to its employee's second retirement plan when some ratepayers do not even have one retirement plan, especially in today's economy. It also ignores the changes that other companies have been making in their attempt to reduce costs.

Q. WHAT ABOUT THE STUDIES THAT COMPANY WITNESS MERRILL REFERS TO?

A. Those studies are based only on companies that participate in surveys and reflect a limited sample. What is not reflected in those surveys are all the small companies that offer limited health care and/or retirement plans or do not offer any health care or retirement plans. The employees of those very companies may be customers of Tampa Electric.

Q. ARE YOU RECOMMENDING ANY ADJUSTMENT TO THE 401(K) EXPENSE?

A. Yes. The Company 401(k) amount should be reduced to reflect a contribution rate of .30 instead of .50 or a reduction of 40%.

Q. WOULD A REDUCTION OF 40% REDUCE THE 401(K) AMOUNT BELOW HISTORICAL COSTS?

A. Yes. But the historical costs are not comparable because they include another special add on available to employees that is called the performance match. This performance match is based on the Company exceeding net income targets and the filing presumably does not assume the Company exceeding the net income target.

Q. WOULD A 40% REDUCTION BE COMPARABLE TO THE EFFECTIVE CONTRIBUTION MADE IN PRIOR YEARS WHEN THE .30 CONTRIBUTION RATE WAS IN EFFECT?

A. It is in the range of reasonableness. For example in 2006, the cost included a fixed match of .30 and a performance match of .15 for a total of .45. The cost for the year was $3.789 million and 66.67% (.30/.45) of that is $2.526 million. The $2.526 million estimated fixed match is 1.5% of the total 2006 compensation of $168.885 million. The 2009 cost per the Company is $4.977 million and reducing that 40% results in a cost of $2.986 million. The $2.986 million is also 1.5% of the total compensation for the year 2009 of $205.133 million. The other years estimated 401(k) expense varies from estimated 1.4% to 2.0%. Thus, reducing the fixed 401(k) contribution by 40% yields a result in the range of reasonableness when compared to past results.

Q. WHAT ADJUSTMENT ARE YOU RECOMMENDING?

A. The 2009 401(k) cost (Retirement Savings Plan) should be reduced $1.991 million reducing the total employee benefits for 2009 to $71.813 million.

Q. WHAT IS THE CONCERN WITH MEDICAL COSTS?

A. The costs shown in the filing may not reflect a proper level of employee contributions. However, the Company did not make available sufficient information to evaluate the employee sharing.

Q. WAS A REQUEST MADE FOR THE EMPLOYEE'S SHARE OF MEDICAL COSTS?

A. Yes. The Company was requested to "Provide for each of the years 2003-2007 the active employees and retired employees share of medical benefits, respectively." The response to OPC Interrogatory No. 57 provided the Company's share of active employees and retired employee's medical benefits. Since the response was not sufficient, no recommendation can be made at this time.

Q. WHAT ADJUSTMENT ARE YOU RECOMMENDING TO EMPLOYEE BENEFITS?

A. As shown on Exhibit HWS-1, Schedule C-5, the employee benefits expense should be reduced $1,461,650. The jurisdictional adjustment is $1,420,208.

VI. <u>DIRECTORS & OFFICERS LIABILITY INSURANCE</u>

Q. WHAT HAS THE COMPANY INCLUDED IN 2009 FOR DIRECTORS AND OFFICERS LIABILITY INSURANCE?

A. The response to OPC Interrogatory No. 101 indicates the Directors and Officers Liability Insurance (DOL) cost allocated to Tampa Electric for 2009 is $1,700,908.

Q. IS THE COST OF THIS INSURANCE AN APPROPRIATE COST TO INCLUDE IN RATES?

A. No. In 2003 the amount of DOL insurance expensed was $654,392. In 2007 the expense allocated to Tampa Electric was $1,763,351. That represents an increase of 169.5%. The increase began to occur after 2002 as the result of the claims against officers and directors. This insurance protects officers and directors from claims that are made because of decisions that plaintiffs and agencies believed to be inappropriate.

Q. WHY SHOULDN'T THIS INSURANCE BE ALLOWED WHEN THE COST OF OTHER INSURANCE IS?

A. As was previously stated, this insurance initially protects officers and directors when decisions that they have made are challenged and/or determined to be bad business decisions. The extra factor with DOL insurance is that the primary plaintiffs are shareholders. In effect the DOL insurance provides shareholders protection against their own decisions such as the hiring of the Board of Directors who, in turn hire the officers of the Company. The benefit from settlements from this insurance flows through to shareholders. Therefore, shareholders should be responsible for the cost of this insurance.

Q. IS THERE ANY BENEFIT TO RATEPAYERS?

A. No. In other proceedings where I have testified, companies have claimed that ratepayers benefit because the insurance is necessary to attract and retain competent directors and officers. However, there has not been any evidence presented that showed that the companies were unable to attract and/or retain officers and directors when shareholders were required to pay the cost of the coverage. Ratepayers do not receive any of the proceeds from decisions and/or settlements in directors and officer litigation, so ratepayers should not be responsible for the cost of protecting shareholders from their own decisions.

Q. WHAT ADJUSTMENT ARE YOU RECOMMENDING?

A. The entire $1,700,908 for DOL insurance should be removed from rates. On a jurisdictional basis the adjustment is $1,650,815.

Q. WHAT IF THE COMMISSION DECIDES THAT SOME BENEFIT MAY FLOW THROUGH TO RATEPAYERS?

A. If the Commission can identify a benefit that ratepayers receive then I would recommend that the Company's request be limited to the 2003 expense of $654,392 reducing the 2009 rate year request $1,046,516.

VII. TREE TRIMMING

Q. WOULD YOU EXPLAIN THE COMPANY'S REQUEST FOR TREE TRIMMING?

A. The Company is asking for $16,073,444 for distribution tree trimming and $1,797,519 for transmission vegetative management. The transmission request appears reasonable but the distribution tree trimming request of $16,073,044 is excessive.

Q. WHAT IS THE REASON THE COMPANY IS REQUESTING THE $16 MILLION FOR DISTRIBUTION TREE TRIMMING?

A. The Company's witness Haines stated that the increase in tree trimming is because the Company has to be on a three-year tree trimming cycle and that the increase is driven by increases in contractor rates "mainly caused by escalating fuel costs." The Company testimony also states that beginning in 2005, the Company has ramped up its vegetation management program so it could continue to progress to a three-year tree trim cycle by 2010.

Q. WHAT IS YOUR CONCERN WITH THE COMPANY'S REQUEST?

A. My concern is how the Company has managed its tree trimming over the years. Back in Docket No. 920324-EI, the Company requested funding for a two-year trimming cycle. Yet sixteen years later the Company is progressing towards a three-year trim cycle. Based on the response to OPC Interrogatory No.109, the Company has approximately 6,121 miles of overhead distribution facilities, but the Company cannot identify how many miles of distribution requires trimming. A key problem the Company has with moving to a three year cycle is that it does not know how many miles on the system actually requires trimming per year.

Q. WHY WOULDN'T YOU BASE THE TRIMMING ON THE 6,121 MILES?

A. Not all of the system miles have trees along them that require trimming, therefore the number of miles could be 5,000 or it could be 4,500. Either way it is imperative for the Company to know how many miles per year require trimming before they make a request for funding that would support a three-year cycle.

Q. WHAT OTHER CONCERNS ARE THERE WITH THE COMPANY'S REQUEST?

A. The response to OPC Interrogatory No. 67 provided the number of miles trimmed from 1998 through 2007. The Company appears to have been close to an estimated three-year trim cycle from 1998 to 2000 when they trimmed a combined 5,382 miles. Then beginning in 2001, the annual number of miles trimmed began to decline until it reached a low of 786 miles in 2003. The cost of trimming is impacted by the frequency of the trim cycle without question. The longer you wait, the more growth occurs which increases the cost for trimming. Had the Company continued at the rate that they were on in the period 1998-2000, the cost for trimming would be less for a comparable number of miles. It was the Company's decision to reduce the trim cycle in 2001. Because there is a rate case and they can ask for increased costs from ratepayers, they want to make up for their previous decision to defer trimming from 2001 through 2007. This is not appropriate and should not be allowed.

Another concern is Mr. Haines stated that the increase in contractor costs was mainly caused by the escalating fuel costs. That being said, the contractors costs must now be revisited given the significant reduction in fuel costs that has occurred.

Q. WHAT ARE YOU RECOMMENDING FOR TREE TRIMMING?

A. As shown on Exhibit HWS-1, Schedule C-5, the Company should be allowed $12,084,876 for tree trimming. That reduces the Company's request for distribution tree trimming of $16,073,444 by $3,988,568.

Q. HOW DID YOU DETERMINE YOUR RECOMMENDED COSTS?

A. The estimated cost is based on 1,530 trim miles at the same $7,897 rate that the Company paid in 2007. This provides for an increase in miles and takes into consideration the fact that the escalating fuel costs are now back to 2005 levels. With that change in fuel rates, an aggressive position would take the 2005 cost per mile and escalate that using the Company indices on Schedule C-40 resulting in a $5,993 ($5,024 x (2.35243/1.97212)) rate per mile. My recommendation is more than reasonable given today's economic conditions and the volatility in cost per mile over the past ten years.

Q. ARE THEY ANY OTHER RECOMMENDATIONS WITH RESPECT TO TREE TRIMMING THAT YOU WOULD LIKE TO MAKE?

A. Yes. Given the history of the Company and how the two-year cycle discussed in 1993 never materialized and the fact that trimming has been curtailed since 2000, I would recommend that the Commission require the Company to meet the allowed trim budget. If they fail to do so that they establish a regulatory liability for any unexpended funds and utilize that in subsequent years.

VIII. <u>POLE INSPECTIONS</u>

Q. WHAT ARE YOU RECOMMENDING WITH REGARD TO THE COMPANY'S REQUEST FOR POLE INSPECTIONS?

A. As shown on Exhibit HWS-1, Schedule C-7, the Company's request for $1,573,778 should be reduced $236,013 to $1,337,765. Again historically the Company has not attempted to inspect a high number of poles in any one year. Now that the Commission has approved a pole inspection program, the Company has an eight-year inspection cycle. The eight-year inspection cycle requires an inspection of 40,750 poles per year. Indexing the 2007 average cost per pole of $30.63, results in a 2009 average cost per pole of $32.83. The $32.83 multiplied by the annual inspection requirement of 40,750 poles equals a cost of $1,337,765.

Q. WHY IS THE 2007 COST PER POLE A REASONABLE AMOUNT TO BE INDEXED?

A. It represents the most recent annual actual rate available and is just slightly above the average of the previous four years that fluctuated from year to year.

IX. TRANSMISSION INSPECTIONS

Q. WHY ARE YOU RECOMMENDING AN ADJUSTMENT TO THE COMPANY'S TRANSMISSION INSPECTION COST REQUEST?

A. The Company's request for $642,773 is more than twice the five year average of $277,760 expended for transmission inspections. The significant increase has not been justified. Tampa Electric provided no documentation that supports doubling of the costs from 2007 historic costs to the projected 2009 test year.

Q. WHAT ADJUSTMENT ARE YOU RECOMMENDING?

A. As shown on Exhibit HWS-1, Schedule C-8, the Company's request for $642,773 should be reduced $318,846 ($268,233 on a jurisdictional basis) to $323,927. The recommended expense level of $323,927 was determined by indexing the 2007 expense of $302,195.

X. SUBSTATION PREVENTIVE MAINTENANCE

Q. ARE YOU RECOMMENDING AN ADJUSTMENT TO THE COMPANY'S REQUEST FOR SUBSTATION PREVENTIVE MAINTENANCE OF $2,256,610?

A. Yes. Based on information supplied in response to discovery, the Company is asking for a significant increase in preventive maintenance on substation infrastructure due to aging. The problem is as shown on Exhibit HWS-1, Schedule C-9, the Company spent on average $761,581 for preventive maintenance over the five years 2003-2007. Now with an increase in rates being requested, the Company increased the required annual expense to $2,256,610, almost three times the average spent over the last five years and more than two times the amount expensed in 2007. Despite the suggested urgent need, the Company planned to spend approximately 69% of the 2009 requested amount in the interim year 2008.

Q. WHAT ADJUSTMENT ARE YOU RECOMMENDING TO THE COMPANY'S REQUEST FOR PREVENTIVE MAINTENANCE?

A. As shown on Exhibit HWS-1, Schedule C-9, the Company's request for $2,256,610 should be reduced to $1,199,425, a reduction of $1,057,185 ($973,201 on a jurisdictional basis). The recommended spending for 2009 is based on an indexed 2007 expense of $1,118,958. Tampa Electric should have been spending the needed amount on maintenance to provide safe and reliable service. It is not appropriate for a Company to limit maintenance expenditures over the years and then when a rate case is filed simply claim that a significant increase in spending is required. The Company should have to prove that it is spending what is needed to provide safe and reliable service and then with an establish effort shown, they will have justified the needed increase.

XI. <u>GENERATION MAINTENANCE</u>

Q. DID YOU INQUIRE ABOUT THE COMPANY'S REQUEST TO INCREASE MAINTENANCE ON ITS GENERATION FACILITIES?

A. The Company has indicated that cost increases have incurred and that the planned maintenance forecasted for 2009 is typical of the past and expected to continue in the future. To evaluate the historic changes in cost and the Company's significant increase in 2009 expense (not typical of the past), the Company was requested to provide historical information and a detailed listing of the maintenance projects for 2008 and 2009. Although there is no dispute that prices have increased for materials and services over the years, the historical expenditures as provided in response to OPC Interrogatory No. 48 do not provide any justification for a significant increase in 2009 costs. Moreover, the response to OPC Interrogatory No. 82 did not provide sufficient detail to justify the projected increases for 2008 and 2009. Thus, Tampa Electric did not provide documentation to support the need for the increase over and above an indexed increase in historical costs.

Q. HOW DID YOU MAKE THIS DETERMINATION?

A. Specific maintenance accounts were identified and a request was made for detail on accounts 511, 512, 513 and 554[1]. The accounts were selected based on the significant increases projected. As shown on Exhibit HWS-1, Schedule C-10, the Company has averaged from 2003-2007, $49.475 million in maintenance expense recorded in accounts 511, 512 and 513. Next as shown on Exhibit HWS-1, Schedule C-10, line 9, the indexed average expense was determined to be $59.291 million for accounts 511, 512 and 513 for the time period 2003-2007. The Company is requesting for the three respective accounts, in 2009, a sum of $69.151 million. An increase of approximately $10 million over the 2009 indexed historical average.

[1] Account 554 was excluded because it was determined that this account was requested in error and the expense was less than $1 million

To determine the reasonableness of the Company's projection, a comparison was made of the historical costs, the historical indexed costs, and the Company's request. Also considered was the detailed listing of maintenance projects provided in response to OPC Interrogatory No. 82. The detail provided in response to OPC Interrogatory No. 82 listed maintenance for the Big Bend Units for 2008 and 2009. Using the response to OPC Interrogatory No. 48, it was determined that the difference between the 2009 costs and the 2007 actual project costs was $6.88 million. Adding this $6.88 million increase for 2009 to the indexed 2007 cost of $53.791 million resulted in an estimated cost for 2009 of $60.671 million. Since the $60.671 million was greater than the historic indexed average of $59.291 million, I used the $60.671 million, which was the more generous, substantiated cost. Utilizing the calculated estimate for 2009 (which factors in price increases and the Company's detailed project information) the Company's request of $69.151 million has been overstated by $8.48 million. As shown on Exhibit HWS-1, Schedule C-10, an adjustment of $8.48 million should be made to reflect an increased level of spending that is considered more reasonable. The adjustment on a jurisdictional basis would be $8.173 million.

XII. RATE CASE EXPENSE

Q. IS THERE A CONCERN WITH THE COMPANY'S REQUESTED RATE CASE EXPENSE?

A. Yes. The Company's total projected amount requested is considered excessive and the amortization period is too short.

Q. WHY DO YOU BELIEVE THAT THE AMOUNT PROJECTED IS EXCESSIVE?

A. The Company is not a small company with limited human resources that would require significant assistance in assembling a rate filing. However, they have projected contracted services other than legal of $2.123 million for this proceeding. Including the legal fees, the Company has projected a total of $3.153 million of expense for this rate case. The Company is well aware of its requirements and it is of great concern that the Company is compelled to hire an outside contractor to oversee its rate request. This concern is heightened because cost for Huron Consulting Services, L.L.C included in the filing is $1.31 million, yet the contract provided in response to OPC POD No. 111 shows a revised contract amount of only $468,000. Contributing to the high cost is the excessive average hourly rate that the Company has agreed to pay. The Company, in response to OPC Interrogatory No. 121, explained that the difference between the contract amount and the amount included in the filing is what the Company projects will ultimately be incurred. Apparently contract amendments and cost are not a concern. In addition, the Company has included in its request $116,000 for J. M. Cannell, who as of the date of the response to OPC Interrogatory No. 86 had not yet been retained.

Q. HOW DID YOU DETERMINE WHAT SERVICES THAT HURON CONSULTING SERVICES, L.L.C. WAS PROVIDING?

A. In an attempt to understand why a Company the size of Tampa Electric would require someone to oversee a rate filing, the Company was asked to "explain in detail why the Company required the services of Huron Consulting Services, L.L.C." The response to OPC Interrogatory No. 86 states that "Huron Consulting Group assisted Tampa Electric in MFR review and quality control, expert testimony on tax matters and assistance in the discovery process." In reviewing the contract provided in response to OPC POD No. 111, the tasks included MFR Review, Tax Analysis and Support, Pro Forma Review/Revenue Requirements and Data Request Responses. Generally, in a rate case the company's employees will respond to discovery and the lawyers will review the responses. In this case it appears that the Company has an extra layer of review inserted, adding extra costs above and beyond what may really be necessary.

Q. WHY IS THE AMORTIZATION PERIOD TOO SHORT?

A. The Company has not filed for a rate increase for years. If they were allowed to amortize the cost over a three year period and were fortunate enough to stay out half as long as they did since the last filing, they would continue to recover rate case expense when no expense is being incurred. Even the recommendation of a five year amortization period is short given Tampa Electric's history of long time periods between rate cases.

Q. WHAT ADJUSTMENT ARE YOU RECOMMENDING TO RATE CASE EXPENSE AND RATE BASE?

A. First, I recommended that the J.M. Cannell cost for $116,000 be removed since Tampa Electric has not entered into a contract for his services, there is no justification for including these costs. Next, it is recommended that the $1.31 million for Huron Consulting Services, L.L.C. be reduced to the contracted amount of $468,000 as identified in the response to OPC POD No. 111. As shown on Exhibit HWS-1, Schedule C-11, after reducing the projected costs from $3.153 million to $2.196 million the amortization was calculated using five years instead of three. The result is 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.

XIII. <u>OFFICE SUPPLIES AND EXPENSE</u>

Q. ARE THERE CONCERNS WITH THE COMPANY'S REQUEST FOR OFFICE SUPPLIES AND EXPENSE IN ACCOUNT 921?

A. Yes. The Company was requested in OPC Interrogatory No. 86 to provide a detailed analysis that shows how the projected test year amount was determined. The response did not provide an analysis' or documentation to support the increased cost. It simply stated that the projected test year amount was based primarily on historical spending adjusted for contractual agreements, additions for new activities, and removal of activities no longer applicable. The response went on to say that the primary drivers for the increase was increased training, higher information technology costs, building maintenance and miscellaneous expenses. The response to OPC Interrogatory No. 116 provided some added detail, but again the response was quite general.

Q. WHAT ADJUSTMENT ARE YOU RECOMMENDING TO THE PROJECTED OFFICE SUPPLIES AND EXPENSE?

A. The Company's request of $11.181 million should be reduced $2.363 million to $8.818 million. The calculation of this adjustment is shown on Exhibit HWS-1, Schedule C-12. On a jurisdictional basis the expense should be reduced $2.295 million. This adjustment is required because the Company failed to provide sufficient justification for the increase of 39% over the 2007 test year expense of $8.067 million.

XIV. <u>DEFERRED INCOME TAXES</u>

Q. ARE THERE SOME CONCERNS WITH THE COMPANY'S POSITION ON INCOME TAXES?

A. Yes. The Company has proposed changes in accounting for income taxes based on the recommendation of Mr. Felsenthal which are not warranted. Mr. Felsenthal's recommendations rely on letter rulings for other companies that are not applicable to anyone but the company requesting the ruling. Second, the Company has consistently accounted for deferred taxes and investment tax credits for years under the method that Mr. Felsenthal now claims is incorrect, despite repetitive audits where no errors were found by the Internal Revenue Service (IRS). Further, Mr. Felesenthal bases his position on the incorrect assumption that the projected costs for 2009 are in reality part historic and part projected.

Q. WHAT DO YOU MEAN THAT THE PRIVATE LETTER RULING IS ONLY APPLICABLE TO THE COMPANY REQUESTING THE RULING?

A. Every private letter ruling specifically states that the ruling is only directed to the taxpayer that requested it and states that a private letter ruling <u>may not be used or cited as precedent</u> (emphasis added). The limitation on the use or citing should apply in a rate proceeding just as it applies under IRS regulations.

Q. WHAT IF THE COMMISSION ELECTS TO PLACE SOME RELIANCE ON THE PRIVATE LETTER RULINGS?

A. If the Commission chooses to place any reliance on the private letter rulings they have to realize that the facts addressed by each letter ruling are specific to each company. The letter rulings that Mr. Felsenthal provided in response to OPC POD No. 109 do not reveal all the important facts that must be known if any credence should be placed on the ruling themselves.

Q. WHAT DO YOU MEAN THE FACTS ARE NOT REVEALED?

A. A letter ruling is issued in reply to a request made by a company. The information supplied by Mr. Felselthal does not include the letter request that provides the background information. Next, two of the three letter rulings that Mr. Felsenthal has relied on do not identify the period used so again facts are missing. Finally, the letter ruling 9029040 states that no where in the IRS Regulations do they explain what is meant by historical and future (Bates 22195). Further, while there is no dispute that all the rulings supplied by Mr. Felsenthal use the same definition of historic and future, the IRS could apply a different definition in a subsequent letter ruling since each letter ruling only applies to an individual company.

The letter ruling 9029040, as stated earlier does not identify the periods which is important because if that ruling is based on an end of period rate base, the facts are definitely different from the facts in this case. The letter rulings for 9202029 and 9313008 do discuss an average rate base. But this average rate base appears to be an average determined using the beginning of the period balance and the end of the period balance (Bates

22213 and 22216), not a 13-month average balance. Finally, the letter rulings each make reference to the fact that the ruling is based the taxpayers representations and/or solely on the information provided by a specific company. Further, those representations are not all known and may very well be different from the facts that would apply to Tampa Electric.

Q. WHAT DO THE IRS REGULATIONS SAY?

A. In response to OPC POD No. 109, Mr. Felsenthal provided the IRS Regulation 1.167(l)-1(h)(6) on which he is relying. Within the regulations, are examples of how to prorate the deferred tax balances. Examples 2 and 3, both state that you are to assume the facts that are in example 1 "except for." The "except for" in examples 2 and 3 did not change the example 1 fact that the rate base is an end of the year rate base. The regulations state that the reserve for deferred taxes used in setting rates is not to exceed the reserve that existed through out the year. The reserve for deferred taxes is to be the amount at the beginning of the period and the pro rata portion of any projected increases during the year. A thirteen month average reflects the deferred tax balance at the beginning of a year and the pro rata portion of each month added during the year. The regulations do specify that the pro rata calculation is done based on days so the determination that must be made is whether the calculation based on days is materially different to require a change in rate making across the country that has utilized a pro-ration based on months. The letter rulings that Mr. Felsenthal has provided do not provide any insight as to whether the use of a thirteen month issue was addressed. To make a determination the facts and circumstance of a specific company have to be evaluated on a stand alone basis.

Q. WHAT IF MR. FELSENTHAL'S POSITION IS ADOPTED?

A. If Mr. Felsenthal's position is adopted that would mean the Company has been in violation of normalization requirements at least since rates were set in February 1993. And based on the fact that the letter ruling 9029040 was issued April 23, 1990, the Company cannot claim that clarification did not exist during the 1992 rate proceeding. If the Company believes that this proposal is correct, I recommend that the Company be required to request a letter ruling of its own, but until that happens 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.

XV. AMORTIZATION OF ITC

Q. THE RESPONSE TO OPC INTERROGATORY NO. 36 INDICATES THAT THE COMPANY HAS MADE AN ADJUSTMENT TO THE AMORTIZATION OF ITC INCREASING THE REVENUE REQUIREMENT, HOW DID YOU BECOME AWARE OF THIS ADJUSTMENT?

A. The adjustment was identified in the response to OPC Interrogatory No. 36. The question pertained to adjustments proposed by Mr. Felsenthal in his pre-filed testimony and this was not one that was specifically detailed by Mr. Felsenthal. The Company's response, OPC Interrogatory No. 103, did not provide any additional information as to how the change was reflected in the filing, only that the Company now amortizes the ITC over a different period of time. Absent the appropriate detail the adjustment identified is questionable. As indicated by Mr. Larkin an adjustment to reverse the ITC amortization change identified by Mr. Felsenthal should be made. However, since we do not have the detail to identify how the adjustment was reflected in the filing, we are unable to make an adjustment as part of our recommended cost of service at this time.

Q DOES THIS COMPLETE YOUR TESTIMONY?

A. Yes, it does at this time. There are still outstanding discovery requests which may affect my adjustment or require additional adjustments.

CERTIFICATE OF SERVICE
DOCKET NO. 080317-EI

I HEREBY CERTIFY that a true and correct copy of the foregoing Direct Testimony of Helmuth W. Schultz, III has been furnished by hand delivery or U.S. Mail to the following parties on this 26th day of November, 2008.

James Beasley/Lee Willis
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Tallahassee, FL 32302

Jean Hartman/Jennifer Brubaker
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Patricia A. Christensen
Associate Public Counsel

APPENDIX 1

QUALIFICTIONS OF
HELMUTH W. SCHULTZ, III

APPENDIX I
QUALIFICATIONS OF HELMUTH W. SCHULTZ, III

Mr. Schultz received a Bachelor of Science in Accounting from Ferris State College in 1975. He maintains extensive continuing professional education in accounting, auditing, and taxation. Mr. Schultz is a member of the Michigan Association of Certified Public Accountants

Mr. Schultz was employed with the firm of Larkin, Chapski & Co., C.P.A.s, as a Junior Accountant, in 1975. He was promoted to Senior Accountant in 1976. As such, he assisted in the supervision and performance of audits and accounting duties of various types of businesses. He has assisted in the implementation and revision of accounting systems for various businesses, including manufacturing, service and sales companies, credit unions and railroads.

In 1978, Mr. Schultz became the audit manager for Larkin, Chapski & Co. His duties included supervision of all audit work done by the firm. Mr. Schultz also represents clients before various state and IRS auditors. He has advised clients on the sale of their businesses and has analyzed the profitability of product lines and made recommendations based upon his analysis. Mr. Schultz has supervised the audit procedures performed in connection with a wide variety of inventories, including railroads, a publications distributor and warehouser for Ford and GM, and various retail establishments.

Mr. Schultz has performed work in the field of utility regulation on behalf of public service commission staffs, state attorney generals and consumer groups concerning regulatory matters before regulatory agencies in Alaska, Arizona, California, Connecticut, Delaware, Florida, Georgia, Kentucky, Kansas, Michigan, Minnesota, Mississippi, Missouri, New Jersey, New York, Nevada, North Dakota, Ohio, Pennsylvania, Rhode Island, Texas, Utah, Vermont and Virginia. He has presented expert testimony in regulatory hearings on behalf of utility commission staffs and intervenors on numerous occasions.

<u>Partial list of utility cases participated in</u>:

U-5331	Consumers Power Co. Michigan Public Service Commission

Docket No. 770491-TP	Winter Park Telephone Co. Florida Public Service Commission
Case Nos. U-5125 and U-5125(R)	Michigan Bell Telephone Co. Michigan Public Service Commission
Case No. 77-554-EL-AIR	Ohio Edison Company Public Utility Commission of Ohio
Case No. 79-231-EL-FAC	Cleveland Electric Illuminating Public Utility Commission of Ohio
Case No. U-6794	Michigan Consolidated Gas Refunds Michigan Public Service Commission
Docket No. 820294-TP	Southern Bell Telephone and Telegraph Co. Florida Public Service Commission
Case No. 8738	Columbia Gas of Kentucky, Inc. Kentucky Public Service Commission
82-165-EL-EFC	Toledo Edison Company Public Utility Commission of Ohio
Case No. 82-168-EL-EFC	Cleveland Electric Illuminating Company, Public Utility Commission of Ohio
Case No. U-6794	Michigan Consolidated Gas Company Phase II, Michigan Public Service Commission
Docket No. 830012-EU	Tampa Electric Company, Florida Public Service Commission
Case No. ER-83-206	Arkansas Power & Light Company, Missouri Public Service Commission
Case No. U-4758	The Detroit Edison Company - (Refunds), Michigan Public Service Commission

Case No. 8836	Kentucky American Water Company, Kentucky Public Service Commission
Case No. 8839	Western Kentucky Gas Company, Kentucky Public Service Commission
Case No. U-7650	Consumers Power Company - Partial and Immediate Michigan Public Service Commission
Case No. U-7650	Consumers Power Company - Final Michigan Public Service Commission
U-4620	Mississippi Power & Light Company Mississippi Public Service Commission
Docket No. R-850021	Duquesne Light Company Pennsylvania Public Utility Commission
Docket No. R-860378	Duquesne Light Company Pennsylvania Public Utility Commission
Docket No. 87-01-03	Connecticut Natural Gas State of Connecticut Department of Public Utility Control
Docket No. 87-01-02	Southern New England Telephone State of Connecticut Department of Public Utility Control
Docket No. 3673-U	Georgia Power Company Georgia Public Service Commission
Docket No. U-8747	Anchorage Water and Wastewater Utility Alaska Public Utilities Commission
Docket No. 8363	El Paso Electric Company The Public Utility Commission of Texas

Docket No. 881167-EI	Gulf Power Company Florida Public Service Commission
Docket No. R-891364	Philadelphia Electric Company Pennsylvania Office of the Consumer Advocate
Docket No. 89-08-11	The United Illuminating Company The Office of Consumer Counsel and the Attorney General of the State of Connecticut
Docket No. 9165	El Paso Electric Company The Public Utility Commission of Texas
Case No. U-9372	Consumers Power Company Before the Michigan Public Service Commission
Docket No. 891345-EI	Gulf Power Company Florida Public Service Commission
ER89110912J	Jersey Central Power & Light Company Board of Public Utilities Commissioners
Docket No. 890509-WU	Florida Cities Water Company, Golden Gate Division Florida Public Service Commission
Case No. 90-041	Union Light, Heat and Power Company Kentucky Public Service Commission
Docket No. R-901595	Equitable Gas Company Pennsylvania Consumer Counsel
Docket No. 5428	Green Mountain Power Corporation Vermont Department of Public Service
Docket No. 90-10	Artesian Water Company Delaware Public Service Commission

Docket No. 900329-WS	Southern States Utilities, Inc. Florida Public Service Commission
Case No. PUE900034	Commonwealth Gas Services, Inc. Virginia Public Service Commission
Docket No. 90-1037* (DEAA Phase)	Nevada Power Company - Fuel Public Service Commission of Nevada
Docket No. 5491**	Central Vermont Public Service Corporation Vermont Department of Public Service
Docket No. U-1551-89-102	Southwest Gas Corporation - Fuel Before the Arizona Corporation Commission
	Southwest Gas Corporation - Audit of Gas Procurement Practices and Purchased Gas Costs
Docket No. U-1551-90-322	Southwest Gas Corporation Before the Arizona Corporation Commission
Docket No. 176-717-U	United Cities Gas Company Kansas Corporation Commission
Docket No. 5532	Green Mountain Power Corporation Vermont Department of Public Service
Docket No. 910890-EI	Florida Power Corporation Florida Public Service Commission
Docket No. 920324-EI	Tampa Electric Company Florida Public Service Commission
Docket No. 92-06-05	United Illuminating Company The Office of Consumer Counsel and the Attorney General of the State of Connecticut

Docket No. C-913540	Philadelphia Electric Co. Before the Pennsylvania Public Utility Commission
Docket No. 92-47	The Diamond State Telephone Company Before the Public Service Commission of the State of Delaware
Docket No. 92-11-11	Connecticut Light & Power Company State of Connecticut Department of Public Utility Control
Docket No. 93-02-04	Connecticut Natural Gas Corporation State of Connecticut Department of Public Utility Control
Docket No. 93-02-04	Connecticut Natural Gas Corporation (Supplemental) State of Connecticut Department of Public Utility Control
Docket No. 93-08-06	SNET America, Inc. State of Connecticut Department of Public Utility Control
Docket No. 93-057-01**	Mountain Fuel Supply Company Before the Public Service Commission of Utah
Docket No. 94-105-EL-EFC	Dayton Power & Light Company Before the Public Utilities Commission of Ohio
Case No. 399-94-297**	Montana-Dakota Utilities Before the North Dakota Public Service Commission
Docket No. G008/C-91-942	Minnegasco Minnesota Department of Public Service

Docket No. R-00932670	Pennsylvania American Water Company Before the Pennsylvania Public Utility Commission
Docket No. 12700	El Paso Electric Company Public Utility Commission of Texas
Case No. 94-E-0334	Consolidated Edison Company Before the New York Department of Public Service
Docket No. 2216	Narragansett Bay Commission On Behalf of the Division of Public Utilities and Carriers, Before the Rhode Island Public Utilities Commission
Docket No. 2216	Narragansett Bay Commission - Surrebuttal On Behalf of the Division of Public Utilities and Carriers, Before the Rhode Island Public Utilities Commission
Case No. PU-314-94-688	U.S. West Application for Transfer of Local Exchanges Before the North Dakota Public Service Commission
Docket No. 95-02-07	Connecticut Natural Gas Corporation State of Connecticut Department of Public Utility Control
Docket No. 95-03-01	Southern New England Telephone Company State of Connecticut Department of Public Utility Control
Docket No. U-1933-95-317	Tucson Electric Power Before the Arizona Corporation Commission

Docket No. 5863*	Central Vermont Public Service Corporation Before the Vermont Public Service Board
Docket No. 96-01-26**	Bridgeport Hydraulic Company State of Connecticut Department of Public Utility Control
Docket Nos. 5841/ 5859	Citizens Utilities Company Before Vermont Public Service Board
Docket No. 5983	Green Mountain Power Corporation Before Vermont Public Service Board
Case No. PUE960296**	Virginia Electric and Power Company Before the Commonwealth of Virginia State Corporation Commission
Docket No. 97-12-21	Southern Connecticut Gas Company State of Connecticut Department of Public Utility Control
Docket No. 97-035-01	PacifiCorp, dba Utah Power & Light Company Before the Public Service Commission of Utah
Docket No. G-03493A-98-0705*	Black Mountain Gas Division of Northern States Power Company, Page Operations Before the Arizona Corporation Commission
Docket No. 98-10-07	United Illuminating Company State of Connecticut Department of Public Utility Control
Docket No. 99-01-05	Connecticut Light & Power Company State of Connecticut Department of Public Utility Control

Docket No. 99-04-18	Southern Connecticut Gas Company State of Connecticut Department of Public Utility Control
Docket No. 99-09-03	Connecticut Natural Gas Corporation State of Connecticut Department of Public Utility Control
Docket No. 980007-0013-003	Intercoastal Utilities, Inc. St. John County - Florida
Docket No. 99-035-10	PacifiCorp dba Utah Power & Light Company Before the Public Service Commission of Utah
Docket No. 6332 **	Citizens Utilities Company - Vermont Electric Division Before the Vermont Public Service Board
Docket No. G-01551A-00-0309	Southwest Gas Corporation Before the Arizona Corporation Commission
Docket No. 6460**	Central Vermont Public Service Corporation Before the Vermont Public Service Board
Docket No. 01-035-01*	PacifiCorp dba Utah Power & Light Company Before the Public Service Commission of Utah
Docket No. 01-05-19 Phase I	Yankee Gas Services Company State of Connecticut Department of Public Utility Control
Docket No. 010949-EI	Gulf Power Company Before the Florida Office of the Public Counsel
Docket No. 2001-0007-0023	Intercoastal Utilities, Inc. St. Johns County - Florida

Docket No. 6596	Citizens Utilities Company - Vermont Electric Division Before the Vermont Public Service Board
Docket Nos. R. 01-09-001 I. 01-09-002	Verizon California Incorporated Before the California Public Utilities Commission
Docket No. 99-02-05	Connecticut Light & Power Company State of Connecticut Department of Public Utility Control
Docket No. 99-03-04	United Illuminating Company State of Connecticut Department of Public Utility Control
Docket No. 5841/5859	Citizens Utilities Company Before the Vermont Public Service Board
Docket No. 6120/6460	Central Vermont Public Service Corporation Before the Vermont Public Service Board
Docket No. 020384-GU	Tampa Electric Company d/b/a/ Peoples Gas System Before the Florida Public Service Commission
Docket No. 03-07-02	Connecticut Light & Power Company State of Connecticut Department of Public Utility Control
Docket No. 6914	Shoreham Telephone Company Before the Vermont Public Service Board
Docket No. 04-06-01	Yankee Gas Services Company State of Connecticut Department of Public Utility Control
Docket Nos. 6946/6988	Central Vermont Public Service Corporation Before the Vermont Public Service Board

Docket No. 04-035-42**	PacifiCorp dba Utah Power & Light Company Before the Public Service Commission of Utah
Docket No. 050045-EI**	Florida Power & Light Company Before the Florida Public Service Commission
Docket No. 050078-EI**	Progress Energy Florida, Inc. Before the Florida Public Service Commission
Docket No. 05-03-17	The Southern Connecticut Gas Company State of Connecticut Department of Public Utility Control
Docket No. 05-06-04	United Illuminating Company State of Connecticut Department of Public Utility Control
Docket No. A.05-08-021	San Gabriel Valley Water Company, Fontana Water Division Before the California Public Utilities Commission
Docket NO. 7120 **	Vermont Electric Cooperative Before the Vermont Public Service Board
Docket No. 7191 **	Central Vermont Public Service Corporation Before the Vermont Public Service Board
Docket No. 06-035-21 **	PacifiCorp Before the Public Service Commission of Utah
Docket No. 7160	Vermont Gas Systems Before the Vermont Public Service Board
Docket No. 6850/6853 **	Vermont Electric Cooperative/Citizens Communications Company Before the Vermont Public Service Board

Docket No. 06-03-04** Phase 1	Connecticut Natural Gas Corporation Connecticut Department of Public Utility Control
Application 06-05-025	Request for Order Authorizing the Sale by Thames GmbH of up to 100% of the Common Stock of American Water Works Company, Inc., Resulting in Change of Control of California-American Water Company Before the California Public Utilities Commission
Docket No. 06-12-02PH01**	Yankee Gas Company State of Connecticut Department of Public Utility Control
Case 06-G-1332**	Consolidated Edison Company of New York, Inc. Before the NYS Public Service Commission
Case 07-E-0523	Consolidated Edison Company of New York, Inc. Before the NYS Public Service Commission
Docket No. 07-07-01	Connecticut Light & Power Company Connecticut Department of Public Utility Control
Docket No. 07-035-93	Rocky Mountain Power Company Before the Public Service Commission of Utah
Docket No. 07-057-13	Questar Before the Public Service Commission of Utah
Docket No. 08-07-04	United Illuminating Company Connecticut Department of Public Utility Control

* Certain issues stipulated, portion of testimony withdrawn.
** Case settled.

Table of Contents

Tampa Electric Company
Projected Test Year Ended December 31, 2009

Payroll Adjustment

Docket No. 080317-EI
Exhibit HWS-1
Schedule C-4
Page 1 of 1

Line No.	Description	Amount	Reference
1	Gross Payroll	205,133,178	b
2	Incentive Pay	(11,574,843)	b
3	Base Pay, Overtime, Other	193,558,335	L.1-L.2
4	Projected Employees	2,638	a
5	Average Pay per Employee (1)	73,373	L.3/L.4
6	Expensed	119,333,675	b
7	Incentive Pay	(11,574,843)	b
8	Base Pay, Overtime, Other	107,758,832	L.6-L.7
9	Expense Percentage	55.67%	L.8/L.3
10	Average Expensed Pay Per Employee	40,849	L.5 x L.9
11	Employee Reduction (2,548 - 2,638)	(90)	Testimony
12	Payroll Expense Adjustment	(3,676,382)	L.10 x L.11
13	Jurisdictional Factor	0.970549	c
14	Jurisdictional Adjustment	(3,568,109)	L.13 x L.14
15	Payroll Expense Recommended	104,082,450	L.8-L.12

Source: (a) Company MFR Schedule C-35.
(b) Company response to OPC Interrogatory 35.
(c) Company MFR Schedule C-1.

Tampa Electric Company
Projected Test Year Ended December 31, 2009

Employee Benefit Adjustment

Docket No. 080317-EI
Exhibit HWS-1
Schedule C-5
Page 1 of 1

Line No.	Description	Amount	Reference
1	Benefits Per Company	73,804,000	a
2	401(k) Adjustment	(1,991,000)	Testimony
3	Base Pay, Overtime, Other	71,813,000	L.1-L.2
4	Projected Employees	2,638	a
5	Average Benefit Cost Per Employee (1)	27,223	L.3/L.4
6	Expensed Per Company	44,030,377	c
7	Expense Percentage	59.66%	L.6/L.1
8	Average Expensed Benefit Cost Per Employee	16,241	L.5 x L.7
9	Employee Reduction (2,548 - 2,638)	(90)	Testimony
10	Benefit Expense Adjustment	(1,461,650)	L.8 x L.9
11	Jurisdictional Factor	0.971647	b
12	Jurisdictional Adjustment	(1,420,208)	L.10 x L.11

Source: (a) Company MFR Schedule C-35.
(b) Company MFR Schedule C-4, Account 926.
(c) Company Response to OPC Interrogatory 43.

Tampa Electric Company
Projected Test Year Ended December 31, 2009

Tree Trimming Adjustment

Docket No. 080317-EI
Exhibit HWS-1
Schedule C-6

Line No.	Year	Distribution Trimming	Miles Trimmed	Cost Per Mile	Increase Per Mile	Reference
1	1998	5,776,757	1,940	2,978		a
2	1999	5,573,926	1,444	3,860	29.63%	a
3	2000	6,014,931	1,998	3,010	-22.01%	a
4	2001	6,085,703	1,383	4,400	46.17%	a
5	2002	6,119,991	1,326	4,615	4.89%	a
6	2003	4,578,433	786	5,825	26.21%	a
7	2004	4,832,179	941	5,135	-11.84%	a
8	2005	5,345,414	1,064	5,024	-2.17%	a
9	2006	9,216,147	1,108	8,318	65.57%	a
10	2007	10,321,799	1,307	7,897	-5.06%	a
11	2008	9,996,936				b
12	2009	16,073,444				b
					2009 Estimate	
13	Per OPC		1,530	7,897	12,084,876	
14	Per Company				16,073,444	
15	Distribution Tree Trimming Adjustment				(3,988,568)	

Source: (a) Company response to OPC Interrogatory 67.
(b) Company response to OPC Interrogatory 71.

Tampa Electric Company
Projected Test Year Ended December 31, 2009

Pole Inspection Adjustment

Docket No. 080317-EI
Exhibit HWS-1
Schedule C-7

Line No.	Year		Pole Inspections	Pole Inspection Cost	Average Cost	Reference
1	2003		3,803	124,098	32.63	a
2	2004		19,803	531,046	26.82	a
3	2005		13,534	333,316	24.63	a
4	2006		17,761	661,842	37.26	a
5	2007		53,532	1,639,481	30.63	a
6	2008			1,486,535		b
7	2009			1,573,778		b
		Total Poles	Company Cycle			
8	Per OPC	326,000	40,750	1,337,765	32.83	Testimony
9	Per Company			1,573,778		b
10	Pole Inspection Adjustment			(236,013)		

Source: (a) Company response to OPC Interrogatory 68.
(b) Company response to OPC Interrogatory 71.

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Transmission Inspection Adjustment

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Line No.	Year	Five-Year Average	Transmission Structure Inspection	Reference
1	2003		137,778	a
2	2004		265,264	a
3	2005		303,959	a
4	2006		379,603	a
5	2007	277,760	302,195	a
6	2008		368,743	b
7	2009		642,773	b
8	Per OPC		323,927	c
9	Per Company		642,773	b
10	Transmission Inspection Adjustment		(318,846)	L. 8-L. 9
11	Jurisdictional Factor		0.84126	d
12	Jurisdictional Adjustment		(268,233)	L.10 x L.11

Source: (a) Company response to OPC Interrogatory 69.
(b) Company response to OPC Interrogatory 71.
(c) Actual 2007 inflated using 2008 & 2009 indices Company MFR Schedule C-40.
(d) Company MFR Schedule C-4, Account 570.

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Substation Preventive Maintenance Adjustment

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Line No.	Year	Five-Year Average	Substation Preventive Maintenance	Reference
1	2003		278,416	a
2	2004		632,671	a
3	2005		633,471	a
4	2006		1,144,387	a
5	2007	761,581	1,118,958	a
6	2008		1,554,908	b
7	2009		2,256,610	b
8	Per OPC		1,199,425	c
9	Per Company		2,256,610	
10	Substation Preventive Maintenance Adjustment		(1,057,185)	
11	Jurisdictional Factor		0.9205585	d
12	Jurisdictional Adjustment		(973,201)	L.10 x L.11

Source: (a) Company response to OPC Interrogatory 112.
(b) Company response to OPC Interrogatory 71.
(c) Actual 2007 inflated using 2008 & 2009 indices Company MFR Schedule C-40.
(d) Company MFR Schedule C-4, Account 562 and 582.

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Generation Maintenance Adjustment
(000's)

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Line No.	Year	Account 511	Account 512	Account 513	Total Cost	Indexed	Reference
1	2003	7,753	40,580	7,271	55,604	74,002	a,b
2	2004	6,247	35,102	4,508	45,857	58,037	a,b
3	2005	2,977	33,827	7,219	44,023	52,513	a,b
4	2006	5,674	37,551	8,484	51,709	58,112	a,b
5	2007	5,216	36,807	8,159	50,182	53,791	a,b
6	2008	5,595	35,496	6,766	47,857	49,442	a,b
7	2009	12,832	45,822	10,497	69,151	69,151	a,b
8	Actual Average 2003-2007				49,475		
9	Indexed Average 2003-2007					59,291	
10	Per OPC				60,671		
11	Per Company				69,151		
12	Maintenance Adjustment				(8,480)		L.10-L.11
13	Jurisdictional Factor				0.963733		c
14	Jurisdictional Adjustment				(8,173)		L.12 x L.13

Source: (a) Company MFR Schedule C-6, Page 2.
(b) Company indices on MFR Schedule C-40.
(c) Company MFR Schedule C-4, Page 1.

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Rate Case Expense Adjustment
(000's)

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Line No.	Description	Per OPC	Per Company	Recommended Adjustment	Company Reference
1	Dr. Murray	69	69	0	a
2	J.M. Cannell	0	116	(116)	a
3	Huron Consulting	468	1,310	(842)	a
4	New Harbor, Inc.	290	290	0	a
5	ABSG, Inc.	202	202	0	a
6	Wm. Slusser, Jr.	137	137	0	a
7	Legal	1,030	1,030	0	a
8	Total	2,196	3,153	(958)	
9	Amortization	439	1,051	(612)	
10	End of Year 2009	1,757	2,102	(346)	
11	Average Balance	1,976	2,628	(652)	

Source: (a) Company MFR Schedule C-10.

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Office Supplies & Expense Adjustment
(000's)

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Line No.	Year	Total Cost	Indexed	Reference
1	2003	6,935	9,230	a,b
2	2004	6,979	8,833	a,b
3	2005	7,470	8,911	a,b
4	2006	7,538	8,471	a,b
5	2007	8,067	8,647	a,b
6	2008	12,825	13,250	a,b
7	2009	11,181	11,181	a,b
8	Actual Average 2003-2007	7,398		
9	Indexed Average 2003-2007		8,818	
10	Per OPC	8,818		Line 9
11	Per Company	11,181		a
12	Office Supplies & Expense Adjustment	(2,363)		L.10-L.11
13	Jurisdictional Factor	0.97114		c
14	Jurisdictional Adjustment	(2,295)		L.12 x L.13

Source: (a) Company MFR Schedule C-6, Page 5.
(b) Company indices on MFR Schedule C-40.
(c) Company MFR Schedule C-4, Page 4.