BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 080317-EI

IN RE: TAMPA ELECTRIC COMPANY'S
PETITION FOR AN INCREASE IN BASE RATES
AND MISCELLANEOUS SERVICE CHARGES

TECO
TAMPA ELECTRIC

REBUTTAL TESTIMONY AND EXHIBIT
OF
WILLIAM R. ASHBURN

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REBUTTAL TESTIMONY

OF

WILLIAM R. ASHBURN

Q. Please state your name, business address, occupation, and employer.

A. My name is William R. Ashburn. My business address is 702 North Franklin Street, Tampa, Florida 33602. I am the Director, Pricing and Financial Analysis for Tampa Electric Company ("Tampa Electric" or "company").

Q. Are you the same William R. Ashburn who filed direct testimony in this proceeding?

A. Yes I am.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to address certain errors and shortcomings in the prepared direct testimony of Mr. Jeffry Pollock, testifying on behalf of the Florida Industrial Power User's Group ("FIPUG").

Q. Have you prepared an exhibit supporting your rebuttal testimony?

A. Yes, I am sponsoring Rebuttal Exhibit No.__ (WRA-2), consisting of five documents, prepared by me or under my direction and supervision. These consist of:

Document No. 1	Average Monthly Load Factor, Average Monthly Coincidence Factor and Monthly Coincidence Factor *vs.* Monthly Load Factor Scattergrams for GSD, GSLD and IS
Document No. 2	Average Monthly Load Factor Scattergrams for GSD, GSLD and IS by Rate Schedule
Document No. 3	Revised Pollock Exhibit JP-7
Document No. 4	Discount Being Realized by General Service Interruptible Customers under the Company's Proposed Rates
Document No. 5	Comparison of IS Credit Rate Designs

Q. Please summarize the key concerns and disagreements you have regarding Mr. Pollock's testimony addressing Tampa Electric's proposed retail cost of service study and rate design.

A. My key concerns and disagreements with his testimony are as follows:

- Mr. Pollock's criticisms and recommended revisions to Tampa Electric's proposed retail cost of service study are not substantiated and should be rejected.

- His recommendations on how to cost support and price interruptible service are regressive, provides too generous a benefit for such service and attempts to lock in this overgenerous benefit to the detriment of all other customers until Tampa Electric's next base rate change.

- Mr. Pollock's revised class revenue allocation is based on his inappropriate revised retail class cost of service study, and should be rejected.

- His recommendation to move all energy and demand rates completely to unit cost is drastic and the Commission should not adopt it as a policy.

- His criticism of Tampa Electric's calculation of transformer ownership discounts is incorrect.

- Mr. Pollock's criticism of the method of measuring and applying the interruptible credit is unfounded and should be rejected.

RETAIL CLASS COST OF SERVICE STUDY

Q. What are Mr. Pollock's criticisms with regard to Tampa Electric's proposed retail class cost of service study?

A. Mr. Pollock disagreed with three elements of the company's proposed study: 1) consolidating the GSD, GSLD and IS classes, 2) classifying the Big Bend scrubber and Polk Unit 1 gasifier investments to energy rather than demand, and 3) utilizing the 12 Coincident Peak and 25 Percent Average Demand ("12CP and 25% AD") method for allocating production plant.

Q. What reason does Mr. Pollock give for his disagreement with Tampa Electric's proposed consolidation of the GSD, GSLD and IS classes?

A. Mr. Pollock claims Tampa Electric failed to show that there are no significant differences in either service characteristics or usage patterns of these classes.

Q. Did the company consider differences in service characteristics in its proposed consolidation?

A. Yes, absolutely. First, the differences in service characteristics within the three current classes are not

significant enough that they cannot be combined as proposed. Each of the service characteristics are appropriately considered in the various applicable tariff provisions proposed for the new consolidated GSD rate schedule. Second, the company has addressed the differences in service characteristics of customers in these three classes by including special rate features in the proposed consolidated GSD rate schedule. Specifically:

- **Metering cost differences** are addressed through proposed customer charges which have been tiered by metering voltage to recognize service level differences;

- **Service voltage cost differences** are addressed by the design of proposed charges for service at secondary distribution, the lowest voltage level, and providing transformer ownership discounts when service is taken at higher voltage levels;

- **Billing determinant differences** due to losses between voltage levels are reflected in the rate design by the application of metering level adjustments; and,

- **Power factor differences** are addressed by including the

power factor clause in the proposed combined GSD rate schedule for customers whose demand is in excess of 1,000 kW, as was previously included under the GSLD rate schedule.

The proposed rate design for GSD, which includes the aforementioned features recognizing service level differences, accommodates all of these differences to permit the use of a single set of GSD rate schedules.

Q. Please address Mr. Pollock's concern regarding usage pattern differences.

A. On page 23 of his rebuttal testimony, Mr. Pollock presents the average characteristics of customers in various rate classes. However, as depicted in the scattergrams in Document No. 1 of my rebuttal exhibit, there are few customers in each of the existing rate classes that possess the exact average characteristics. In fact, the graphs show that there is a wide dispersion of coincident factors and load factors for all three of the rate classes, most particularly the IS class. Cost-based rates are developed using an average cost of service for each class. However, since only a subset of customers in any particular class possess average load

characteristics, only this same subset actually pays the "true" cost of service. Rather than focusing on multiple general service demand rate classes that are only cost-based for customers possessing the average characteristics in the class, it is more important to improve on a general service demand rate structure that better tracks cost recovery over a wide range of usage characteristics.

For GSLD customers, the primary usage difference from GSD is the size of the customer's load or kW demand. Load size should not be the sole basis for establishing a separate rate schedule. By incorporating the previously described service features in the GSD rate schedule, the GSLD schedule is unnecessary and should be eliminated, and the customers should be combined into the new proposed GSD rate schedule.

With respect to the current IS rate class, this group as a whole may currently portray some usage patterns that differ from the population of demand metered general service customers. However, as shown in Document No. 1 of my rebuttal exhibit, the customers making up this group have a wide range of usage patterns similar to the usage patterns of present GSD and GSLD customers.

It is important to recognize that prior to being closed to new business, demand metered GSD or GSLD customers could elect to take service under the IS schedule. Certain phosphate customers did so during Tampa Electric's 1985 base rate proceeding in Docket No. 850050-EI. The original purpose for the construct of this class had nothing to do with level of service or load characteristics; it was a means to segregate customers and provide a discount for customers agreeing to be interrupted.

The interruptible credit, currently being provided through the GSLM-2 and GSLM-3 conservation programs, should be the only differentiation provided to interruptible service customers under their base rate design. The company's proposed consolidated GSD rate schedule, with the option to select interruptible service under the GSLM-2 and GSLM-3 riders, fulfills this objective.

Q. On pages 23 and 24 of Mr. Pollock's testimony, he describes the significance of a customer's or a class' coincidence factor. Do you agree with Mr. Pollock that differences in coincidence factor are important to recognize in rate design?

A. Yes, very much so. A primary cost causation for power supply capacity costs (i.e., production and transmission capacity costs) is the monthly system peak load. Thus, a customer's contribution to the system peak is important to recognize for cost recovery. Mr. Pollock's table on the top of page 24 of his testimony demonstrates the inequity that results in a rate design where coincident factor is not recognized in rate design, and when these types of costs are recovered solely on the basis of a customer's billing demand. Under such a rate design and using his example, the $30,000 total demand costs in his table would be recovered by the total of the three customers' billing demands (2,000 + 1,430 + 1,175 = 4,605 kW), resulting in a rate of $6.51 per kW of billing demand. This compares to a more reasonable cost responsibility, which recognizes the coincidence factors of $5.00, $6.99, and $8.51 per kW for customers one, two and three, respectively.

What Mr. Pollock ignores is that the same coincidence factor/cost relationship that is so important in equitably allocating costs to rate classes should and can also be recognized in the rate design for application to customers within a rate class. Intra-class rate equity can be achieved with a proper rate design such that it

would be unnecessary to establish additional general service rate classes simply to recognize groups of customers having different coincident factors within that rate class. In other words, instead of attempting to preserve a rate class consisting of a group of demand billed, general service customers who have elected interruptible service and who happen to have slightly different coincident factors than the entire population of demand-billed general service customers as a whole, Mr. Pollock could have focused on developing one general service demand rate structure that captures the coincident factor/cost relationship of customers over a wide range of usage characteristics like Tampa Electric has proposed. Document No. 2 of my rebuttal exhibit illustrates how customers served under the current GSD rate schedule are distributed into optional rates within the class that provide recognition of customers' usage characteristics. There is no justifiable reason why GSLD and IS customers must remain in separate classes just to recognize usage characteristics.

Q. What is the basis of Mr. Pollock's disagreement with the classification of the Big Bend scrubber and Polk Unit 1 gasifier investments to energy?

A. He addresses the two investments differently. With respect to the Big Bend scrubber, he suggests that the investment is directly related to the associated power plant providing capacity to the system and thus should be classified to demand. Further, he dismisses prior Commission-approved energy classification treatment from Tampa Electric's last rate proceeding as merely the result of a stipulation. However, he fails to recognize that the Commission approved the subsequent Big Bend scrubber investment classification to energy for environmental cost recovery purposes. Finally, he refers to Progress Energy Florida ("PEF") and Florida Power & Light's ("FPL") treatment of similar environmental investments as being classified to demand but he does not appear as concerned that both were results of stipulations. Mr. Pollock suggests that the entire Polk power plant and all of its components including the gasifier are designed to convert fuel into energy and asserts that the gasifier should naturally be classified to demand.

Q. Mr. Pollock asserts that since the Big Bend scrubber and Polk Unit 1 gasifier are physically connected to the power plants, they are a part of the plants' function to serve load and maintain reliability and thus should be

classified on a demand basis. Is he correct?

A. No. While the scrubber is physically connected to the power plant, there is no engineering requirement that the scrubber must operate for the unit to operate. In fact three of the Big Bend units were built and operated without scrubbers for many years and the fourth unit, while built with a scrubber, often operated without the scrubber. The scrubber captures unwanted emissions from the plant and does not serve load or help maintain reliability.

The operation of the gasifier is also not an engineering requirement for the operation of Polk Unit 1. In fact, Polk Unit 1 has dual fuel capability and can operate using oil should the gasifier be out of service. The gasifier converts one fuel type to another for use in the power block, not to serve load or maintain reliability.

Q. What about Mr. Pollock's other assertions regarding the classification of the scrubber and gasifier?

A. Mr. Pollock tries to have it both ways. He attempts to dismiss the decision in the stipulation approved by the Commission in Tampa Electric's last rate proceeding as

having no merit while, at the same time, citing PEF and FPL's stipulations as precedent setting. Mr. Pollock's position is in basic conflict with itself. The Commission has carried forward the energy classification treatment of the Big Bend scrubber in Tampa Electric's base rates to the energy classification of the Big Bend scrubber in the environmental cost recovery clause rates, and should continue to do so.

Another way to look at his argument is by way of an example. If somehow the coal at Big Bend could be supplied "pre-cleaned" of the elements currently being removed by the scrubber, then the "pre-cleaned" fuel cost would be recovered on an energy basis. A similar example could be made for the gasifier since it converts one fuel source to another. Mr. Pollock's arguments that the scrubber and gasifier should be allocated on a demand basis is flawed and incorrect.

Q. After reviewing Mr. Pollock's testimony regarding the appropriate methodology for production cost allocation, do you have any general observations?

A. Yes. First, Mr. Pollock acknowledges capital substitution principles in generation planning which

recognize that energy utilization plays a significant role in determining the type of, and capital investment in, production plant. Second, his main criticism of a fully recognized capital substitution method for generation facilities, which he refers to as the Equivalent Peaker ("EP") method, is simply the extent (i.e., how high a percentage) that energy usage is being recognized. Lastly, Mr. Pollock advocates the continued use of the 12CP and 1/13th AD method that merely utilizes a smaller percent AD than the 25 percent AD proposed by the company.

All of his points demonstrate that the selection of the appropriate cost of service study methodology is a judgment of what amount/percentage of energy classification should be applied to the production plant revenue requirements. The 25 percent AD approach is a more appropriate weight to be assigned.

Q. Is Mr. Pollock's main criticism that the EP method allocates capital substitution costs to all energy usage rather than only that amount of energy usage required for an economic breakeven between types of generation valid?

A. Yes, this seems to be his main concern. Although Mr.

Pollock's mathematics in his example to support his premise are correct, the conceptual premise is flawed and inconsistent with equitable principles that are generally employed in average cost ratemaking practices. His example is closer to a marginal costing analysis since, under his concept, usage beyond the economic breakeven makes no contribution toward the capital substitution cost that afforded the benefits. His example also represents a renting of the car, which ignores investment. This Commission, for the most part, has practiced average, embedded costing and pricing principles in order to avoid inequities and practical difficulties that can result from the use of marginal costing when setting electric rates. Under average pricing, whether it is the first kWh used or the last, each kWh is a beneficiary of the system's lower operating cost and should share equally in the capital substitution investment that afforded the benefit. Finally, it is important to note that the company has not advocated the full EP method, which would have allocated as much as 70 percent of production capacity costs on an energy basis. Rather it proposes a weighting of only 25 percent, which greatly mitigates some of Mr. Pollock's assertions regarding the extent that energy usage is considered.

Q. Do you have a simple example to demonstrate why it is more equitable that all energy use, not just the energy required for breakeven consideration, should bear capital substitution costs?

A. Yes. Consider the decision to purchase a new high efficiency home air conditioning system for $2,000. Assume that this high efficiency system will have a 10-year life and it will result in $500 per year lower electric energy usage. Therefore, the purchase results in anticipated savings in electric energy usage of $5,000 over the life of the system. This is a good economic purchase because the $5,000 savings less the $2,000 cost produces a net benefit of $3,000. Using Mr. Pollock's approach, he would take the $2,000 cost and divide it by the $500 annual savings to calculate the breakeven point of four years. He would then claim that during the first four years, the customer would realize no net savings; however, there would be $500 per year net savings in the six remaining years.

Although Mr. Pollock's concept may be mathematically correct, this assignment of costs does not represent an equitable or even realistic viewpoint. Costs should be matched with savings. In this example, the $2,000 cost

should correspond to the full usage period that savings are realized which is all 10 years, not just the first four years. This results in an allocated cost of $200 per year compared to the annual energy usage savings of $500 for an annual net savings of $300 over the 10-year life. This is the most equitable treatment of matching costs and savings.

The flaw in Mr. Pollock's breakeven analysis can be demonstrated in another way using this same air conditioning system example. If the purchaser of the more efficient system were to sell his home after four years, he would expect a greater sales price for the home by virtue of having the more efficient air conditioning system as compared to a home without such a system. Likewise, a purchaser should be willing to pay more for this home with the expectation of lower electric energy costs. Under Mr. Pollock's concept, the seller should not expect to increase the value of his home because he would conclude that he has fully recovered the additional cost. However, the purchaser, without paying a premium for the house, would realize all the remaining electric energy savings. Costs and benefits are not matched. If a ratepayer were the seller in this case, he would not opt to adopt Mr. Pollock's marginal cost perspective.

Q. Did Mr. Pollock provide any justification for the Commission to support 12CP and 1/13th AD method for allocating production capacity cost?

A. No. I could not find any real justification other than his labeling this method as the "currently approved" methodology. I actually find his testimony supportive of my position in that he states on pages 36 and 37 of his testimony that "It is my understanding that the Commission originally adopted the 12CP and 1/13th AD method to recognize the same economic theory that Mr. Ashburn associates with the 12CP and 25% AD. Although the 12CP and 1/13th AD allocates production investment beyond the break-even point, it does so only minimally. It also recognizes that load duration is a driver that determines utility investment decisions." I agree with his entire statement, especially that the current method only minimally allocates investment beyond the breakeven point. This is my point. As Mr. Pollock states, the 12 CP and 1/13th AD methodology recognizes energy "too minimally". The appropriate energy classification deserves a much greater weighting than the minimal eight percent afforded by the 12 CP and 1/13th AD method.

Q. In Mr. Pollock's Exhibit JP-7, he attempts to show that

using Tampa Electric's methodology for allocating production plant investment results in an above average cost per kW of demand for the high load factor classes without the benefit of less than average fuel cost. Please comment on this exhibit.

A. It appears that Mr. Pollock's calculations are simply for effect. He unitizes plant costs on a 12 CP basis to illustrate the math that higher load factor classes are paying more than average for production capacity costs on this basis. In Document No. 3 of my rebuttal exhibit, I reproduce Mr. Pollock's exhibit but add a calculation that illustrates that higher load factor customers are actually paying less than average production capacity costs on an energy basis. I do not find any significance to either my calculation in column four or his in column three regarding the company's cost allocation methodology.

Q. Mr. Pollock recommends that the class coincident peak demands for the summer and winter peaks be used in lieu of the average of the 12 monthly coincident peaks to establish cost responsibility for production capacity costs. Do you consider this method to be appropriate for Tampa Electric?

A. No. Tampa Electric's capacity needs in the summer and winter months are mitigated by the greater amounts of available load management at the time of peak due to greater extreme temperatures. In addition, the company experiences higher generator capability ratings in the winter that helps mitigate the winter peak load. The company strives to plan its generation outages during the spring and fall months, resulting in fairly levelized generating reserve margins in all months. For these reasons, Tampa Electric considers contributions to the average of the 12 monthly peaks to be an appropriate basis for the demand component in the allocation of production capacity costs.

Q. Is an examination of historical peaking demands and resulting achieved reserve margins dispositive of this issue as contended by Mr. Pollock?

A. No. Tampa Electric plans its system to meet normal weather and to achieve a future reserve margin requirement. The past several years have exhibited abnormally warm winter weather resulting in lower than expected winter peaks thus resulting in higher actual achieved winter reserve margins. These results are not useful in determining whether using 12 monthly peaks is

appropriate; only weather normalized results are useful.

TREATMENT OF INTERRUPTIBLE SERVICE

Q. Mr. Pollock identifies interruptible power as a primary option for demand response resources. Do you agree with that assessment?

A. Yes, interruptible service is one of Tampa Electric's demand response resources used to reduce load while continuing to provide service to firm customers. Other demand response resources include:

- Residential and commercial load management ("PrimeTime") which involves direct load control of space heating and cooling equipment, water heaters pool pumps, and other such equipment;

- GSLM-2 and GSLM-3 interruptible service conservation programs, which provide the same interruptible service as is provided under the current IS rate schedules;

- Residential price responsive load management ("Energy Planner"), which utilizes a tiered pricing structure with a smart thermostat; Standby generator program which provides credits to customers for load transfer
- during critical periods; and,

- Commercial/industrial demand response, which is facilitated through a third party vendor.

Q. Are the load characteristics of interruptible power customers similar to the load characteristics of customers participating in these other demand response programs?

A. Yes, particularly among commercial customers engaged in manufacturing. The company has many customers participating in its standby generation and third party demand response programs that have high load factors with significant demands available for response.

Q. How has the Commission allowed Tampa Electric to manage these various demand response programs?

A. Since 1982, the Commission has consistently recognized the value of demand response programs and approved Tampa Electric's management of these programs through the Energy Conservation Cost Recovery ("ECCR") clause. The approval process has included reviews of program cost-effectiveness, incentive levels, and administration and marketing costs.

Q. How have the incentive levels varied over the life of these demand response programs?

A. Since 1982, the incentive levels for these various demand response programs have consistently increased. This upward trend has occurred in spite of annual cost-effectiveness reviews using volatile costs associated with avoided unit construction. This upward trend is also evident in the level of the contracted credit value ("CCV") established since the inception of GSLM-2 and GSLM-3 in 2000. Mr. Pollock's only reference to this is on page 62 of his testimony where he acknowledges that the values have been subject to change. He fails to mention that the values have increased in each of the seven years he brackets except for one when there was a minor reduction. This upward trend reflects the increasing cost of generation.

Q. Is Mr. Pollock's assessment of the CCV for 2009 correct?

A. No. The CCV for 2009 was approved by this Commission in Order No. PSC-08-0783-FOF-EG, issued on December 1, 2008 in the 2008 ECCR proceeding. The CCV methodology used was consistent with prior determinations and similar to other Commission-approved credit and program cost

effectiveness measurements. Mr. Pollock's concerns about the CCV and related issues would have been more appropriately addressed in the aforementioned docket, a docket to which FIPUG was an active participant. It is not appropriate to review the CCV, the avoided unit selection, the timing of capacity benefits, the appropriate benefit-cost ratio, and the application of the CCV to the load reduction achieved by customers in this base rate proceeding. These issues should have been and still can be addressed in the ECCR proceeding.

Q. Mr. Pollock has presented the results of a cost of service study that he sponsors as Exhibit JP-10. How is the IS rate class treated in this study?

A. Mr. Pollock treats the IS customers as a separate rate class in his study and allocates costs to the class as though they have firm load characteristics. However, his rate treatment of interruptible demand credits is not clear. On pages 61 through 63 of his testimony, Mr. Pollock expresses concern regarding the treatment of payments and cost recovery of interruptible credits through the ECCR and he proposes that these payments and costs be set in base rates. Yet, I find no such treatment in his cost of service study in Exhibit JP-10.

I would presume that his presentation assumes the interruptible credits are being treated as costs for recovery in the ECCR clause.

Q. Mr. Pollock asserts the company has understated the value of the interruptible credit. Should the credit be revised to a higher level as he has calculated?

A. No. As stated previously, the calculation of the CCV should remain within the conservation docket and associated with GSLM-2 and GSLM-3 service to which the current IS customers, after being consolidated into the GSD rate class, should subscribe. It should be recognized that the company's 2009 approved CCV of $10.91 per coincident peak kW used for the GSLM-2 or GSLM-3 rider represents a 46 percent increase over the prior CCV. This is a significant increase in value for interruption and should not be increased any further through base rates.

It is also important to note that the interruptible credit based on the 2009 CCV results in interruptible customers realizing a 62 percent discount in cost for production capacity as compared to firm GSD customers. This is a very fair discount for valuing interruptible

load. It is entirely unnecessary to go beyond this level of discount to encourage or maintain interruptible customers. To do so would unfairly shift costs to other customers.

Document No. 4 of my rebuttal exhibit shows the development of the resultant discount being realized by general service interruptible customers under the company's proposed rates. If Mr. Pollock's recommendation of a CCV of $13.60 were adopted, the exhibit shows the value would represent a 78 percent discount to interruptible customers for production capacity service. This type of discount is excessive and unnecessary to encourage and maintain general service interruptible load.

Q. Mr. Pollock expresses concern regarding the load factor adjusted credit structure of the CCV. Is his concern justifiable?

A. No. The use of a load factor adjusted credit is an equitable rate design for application to the wide range of usage characteristics inherent in the group of interruptible customers. PEF has consistently used this design for establishing credits since 1995.

Since the CCV is an amount established per kW of demand coincident with the company's monthly system peaks, this full credit value should only be applied to a customer's demand coincident with the system peak. The load factor approach utilized in the GSLM-2 and GSLM-3 conservation programs is a proxy for estimating a customer's load coincident with the system peak.

Mr. Pollock's suggestion to estimate customers' coincident load by establishing and monitoring loads during "base line" periods, or alternatively measuring interruptible customers' demand in real-time, would impose a burdensome analysis requirement and would result in billing delays, without providing any assurance of a meaningful improvement in the estimation of coincident demand.

The load factor adjusted demand approach can be compared to another method proffered by Mr. Pollock for establishing a fixed credit amount based solely on billing demand. Document No. 5 of my rebuttal exhibit depicts the two methods of crediting over the full range of customer load factors and compares these to an estimated desired credit based on empirically estimated utility load research relating coincidence factor and

load factor. It is obvious from this exhibit that the load factor adjusted rate design is a superior rate design to the fixed credit amount based on billing demand.

Q. On pages 41 and 42 of his testimony, Mr. Pollock asserts that interruptible customers should not have to share in the cost recovery of credits paid to them. Do you agree?

A. No. This is an incredible assertion that reveals Mr. Pollock's complete misunderstanding of the purpose of the credits. Interruptible customers are paid credits because, in effect, they have the capability of providing additional production capacity to the system. Having the capability to interrupt service and to dispatch other demand response programs all provide alternative resources to real generating capacity or purchased power capacity from another system. The mechanism for recovering the cost of credits provided to interruptible service customers should be no different from the cost recovery of real generating capacity, purchased power payments, or credits paid for effective capacity provided from other demand response programs.

The only intended difference in the general service rate

structure between firm service and interruptible service is the credit. There is no basis for interruptible customers being exempt from any costs that establish the costs for firm service. If interruptible customers were afforded such treatment, which is over and above the cost-supported credit, the rate difference would exceed the interruptible credit and would not yield the desired rate design result.

In Mr. Pollock's cost of service study in JP-10, he did not exempt interruptible customers from sharing in the cost of the company's generating facilities when establishing base rate cost responsibility. He has not sought exemption for interruptible customers sharing in the cost of purchased power. He has also not sought exemption from interruptible customers sharing in the capacity costs of other demand response programs. Interruptible customers supporting the costs of the general service interruptible demand response program is no different.

Further, to demonstrate the ridiculousness of his assertion, I'll use another example. Assume the owners of a 10-unit condominium complex need to have their building painted. A painting contractor estimates the

work will cost $1,000. Clearly, each unit owner should pay $100. However, assume the condominium selects a painter who also happens to be a unit owner. Under Mr. Pollock's reasoning and assertion, the unit owner providing the painting service should receive $1,000 for his services **and** should not be required to pay his $100 share. This is outlandish reasoning and the type of confused thinking Mr. Pollock has tried to create with this issue.

CLASS REVENUE ALLOCATION

Q. What are Mr. Pollock's conclusions and recommendations with regard to class revenue allocation?

A. After making many statements supporting the application of cost-based ratemaking, many of which I agree with in theory, he alleges that Tampa Electric is proposing a revenue increase for IS customers of 134 percent compared to an overall increase request of 26.4 percent. However, he immediately admits that Tampa Electric's proposed treatment for existing IS customers would result in an "effective" base revenue increase of 35.5 percent. He also explains that under his revised cost of service study, the IS class would merit a rate decrease along with the Lighting Facility rates. After stating that he

would not recommend any class receiving a decrease, he provides a recommended class revenue allocation in his exhibit JP-14.

Q. Do you agree with Mr. Pollock's recommended class revenue allocation?

A. No. As I described in the first section of my testimony, I do not agree with Mr. Pollock's proposed revisions to the retail class cost of service study. I also do not agree with his proposed rate design for current IS service. Consequently, I do not agree with his recommended class revenue allocation.

Mr. Pollock's revenue allocation approach, while moving proposed revenues closer to cost under his cost of service model, serves to reduce revenue collected from IS customers and increase revenue collected from all other classes, most importantly and substantially the residential service class. The appropriate value of interruptible service is recognized in Tampa Electric's proposal through cost of service, rate design and revenue allocation. Mr. Pollock's proposal is not a reflection of gradualism, as he suggests, but recidivism.

FIRM RATE DESIGN

Q. What are Mr. Pollock's conclusions and recommendations with regard to Tampa Electric's proposed rate design for firm service?

A. On page 51 of his testimony, Mr. Pollock states "TECO has underpriced the demand charge and overpriced the energy charge (based on the company's proposed revenue levels). The demand and non-fuel energy charges should closely reflect the corresponding demand and non-fuel energy related costs as derived in the retail class cost of service study." He recommends that the non-fuel energy charge for the IS rate schedule be set at the per unit energy cost from his proposed cost of service study. Later, Mr. Pollock discusses meter level and transformer ownership discounts as appropriate mechanisms to reflect the lower cost of providing primary and subtransmission service. He appears to take no issue with how Tampa Electric applied the meter level discount; however, he does criticize the company's calculation of the transformer ownership discount credits, alleging that ratcheted rather than billing demand was used as the divisor, thus inappropriately understating the resulting credits.

Q. Do you agree with Mr. Pollock's recommendation regarding the appropriate non-fuel energy rate for IS rate schedule?

A. No. First, his proposed energy charge applies to the IS rate schedule, which the company has proposed to eliminate and his proposed energy rate for the IS rate schedule is derived from his unreasonable cost of service. Second, his recommendation addresses the energy charge alone without addressing the demand, customer, or other rate charges. Rate design for electric service, both in theory and as practiced at the Commission, has focused on first setting the more fixed components, the customer charge and demand charge, and then setting the more variable component, the energy charge. Finally, his recommendation for the IS non-fuel energy rate did not address how to design the rate for time of use. This limited approach of rate design is inappropriate and his recommendations should be rejected.

Q. Do you agree with Mr. Pollock's conclusion that Tampa Electric understated its proposed transformer ownership discounts by dividing the avoided cost by the ratcheted demand rather than the actual billing demand?

A. No. He is incorrect. The transformer ownership discount for the proposed, combined GSD class was actually calculated by dividing the avoided cost by the projected billing demand as shown in MFR Schedule 14, Supplement B, page 169 of 175. Ratcheted demand was not used in these calculations and the proposed transformer ownership discounts were not understated.

Q. Mr. Pollock claims there are no demand ratchets in Tampa Electric's tariffs. Do you agree?

A. No. The company's tariffs for Standby Service contain monthly reservation charges for local facilities. These charges are derived and applied on a ratcheted demand basis. Where applicable, a transformer ownership discount is also applied to the same ratcheted demand measurement. Therefore, the development of the transformer ownership discount for standby customers must be derived by dividing the avoided cost by the ratcheted demands. The company appropriately utilized ratcheted demand only to calculate the transformer ownership discount for the standby rate schedule.

SUMMARY OF REBUTTAL TESTIMONY

Q. Please summarize your rebuttal testimony.

A. My rebuttal testimony addresses key concerns and disagreements with Mr. Pollock's testimony. I reject his criticisms and recommended revisions to Tampa Electric's proposed retail class cost of service study. I provide further support that the GSD, GSLD and IS classes can and should be consolidated into one GSD class. I rebut his arguments about the proper classification of the scrubber and gasifier investments and clarify why they are properly classified to energy. I show why his objections to the 12 CP and 25% AD method for allocating production plant are not reasonable in this case. I also demonstrate how Mr. Pollock's recommendations on cost support and the pricing of interruptible service are regressive, provide too generous a benefit, and attempt to lock in this overgenerous benefit to the detriment of all other customers. Finally, my testimony rejects Mr. Pollock's revised class revenue allocation, his recommendation to move all energy and demand rates completely to unit cost as well as his criticism of Tampa Electric's calculation of its transformer ownership discounts and method of measuring and applying the interruptible credit.

Q. Does this conclude your rebuttal testimony?

A. Yes, it does.

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REBUTTAL EXHIBIT

OF

WILLIAM R. ASHBURN

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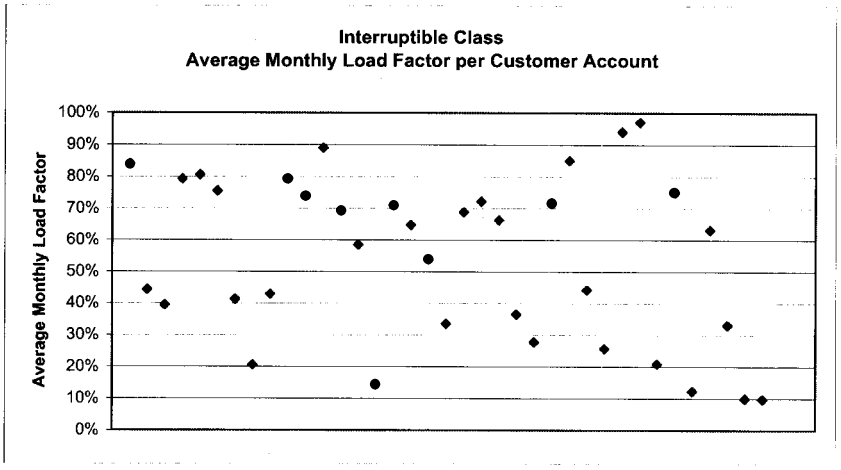
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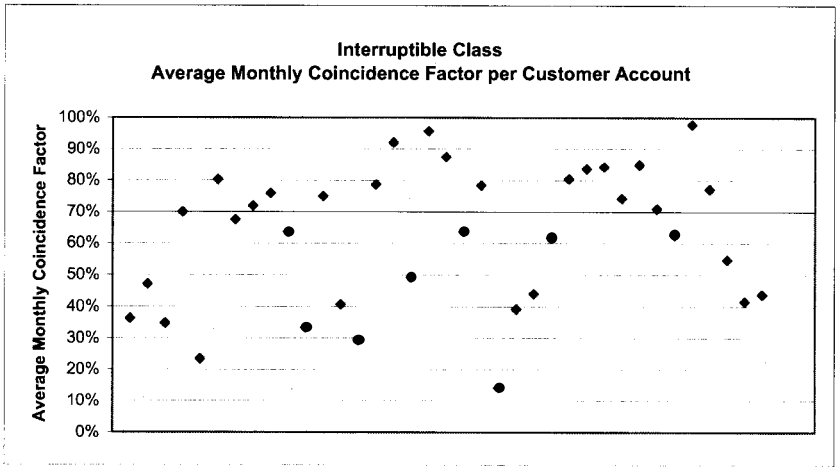
Interruptible Class
Average Monthly Coincidence Factor per Customer Account
Average Monthly Coincidence Factor
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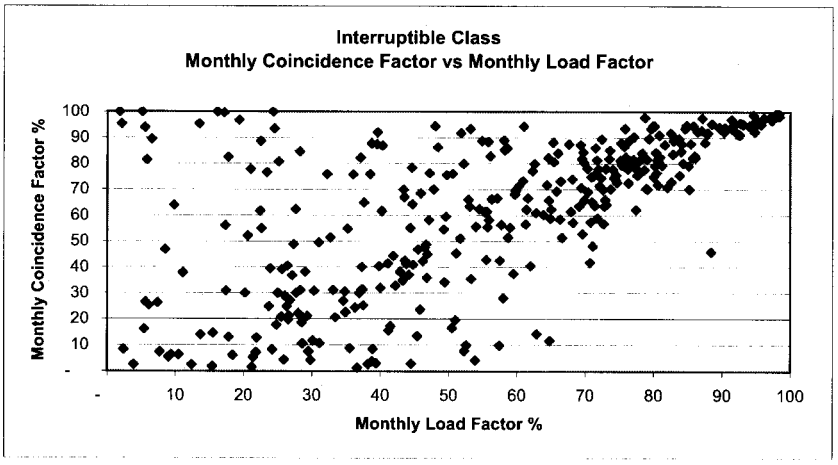
Interruptible Class
Monthly Coincidence Factor vs Monthly Load Factor
Monthly Coincidence Factor %
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90
80
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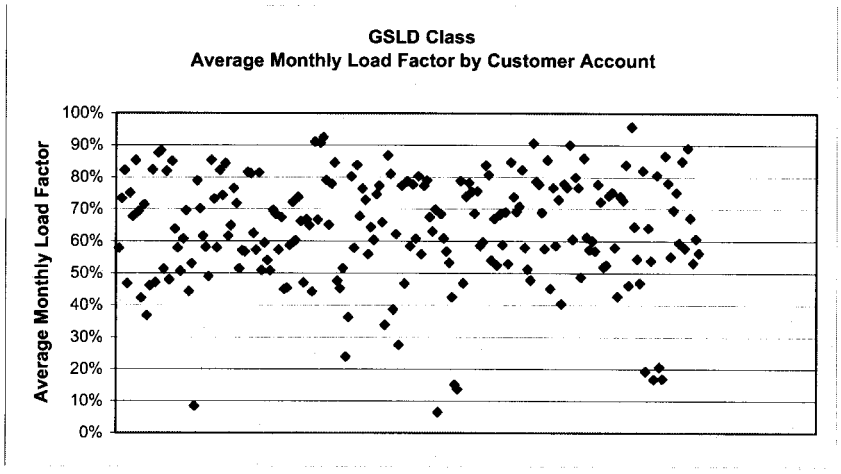
-
- 10 20 30 40 50 60 70 80 90 100
Monthly Load Factor %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Average Monthly Load Factor
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70%
60%
50%
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30%
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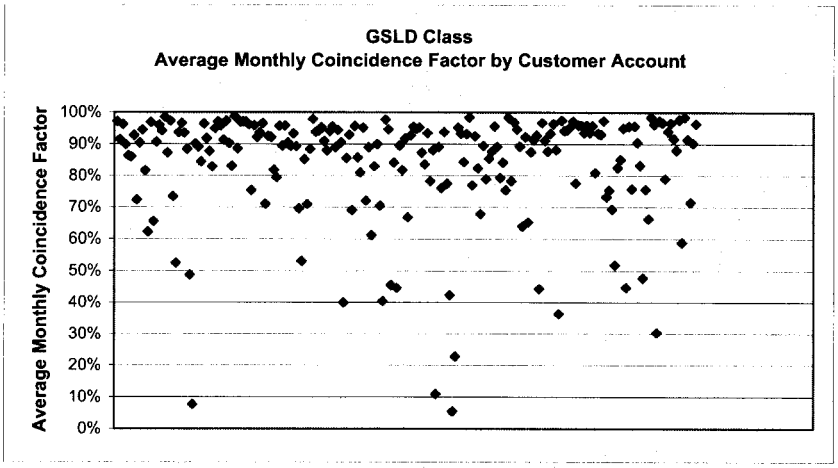
0%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Average Monthly Coincidence Factor
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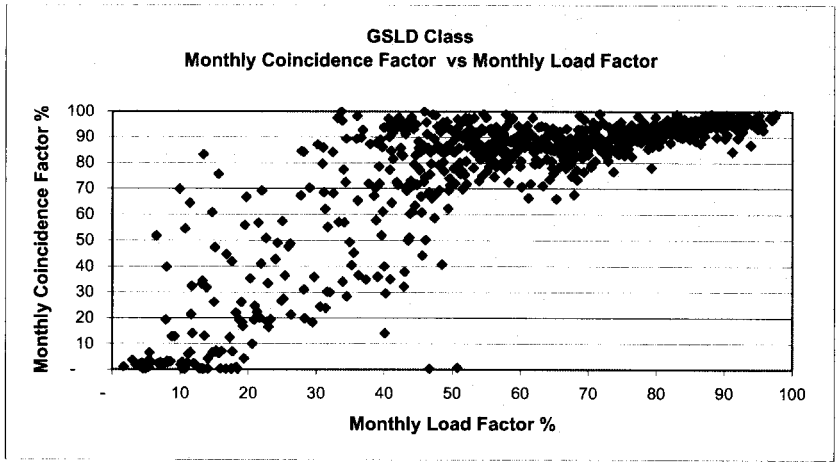
GSLD Class
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Monthly Coincidence Factor %
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90
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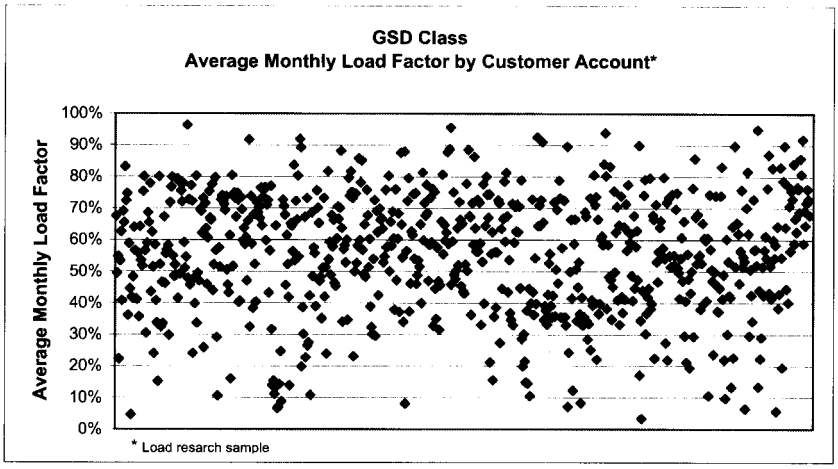
100
Monthly Load Factor %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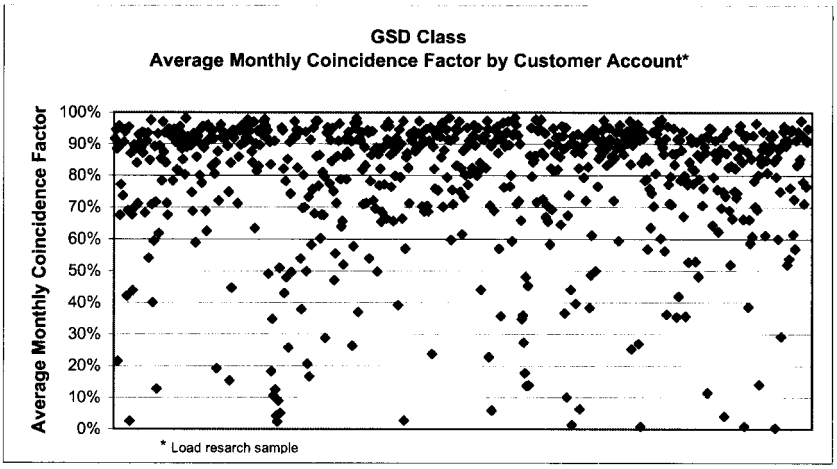
Average Monthly Load Factor by Customer Account*
Average Monthly Load Factor
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
* Load resarch sample


GSD Class
Average Monthly Coincidence Factor by Customer Account*
Average Monthly Coincidence Factor
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90%
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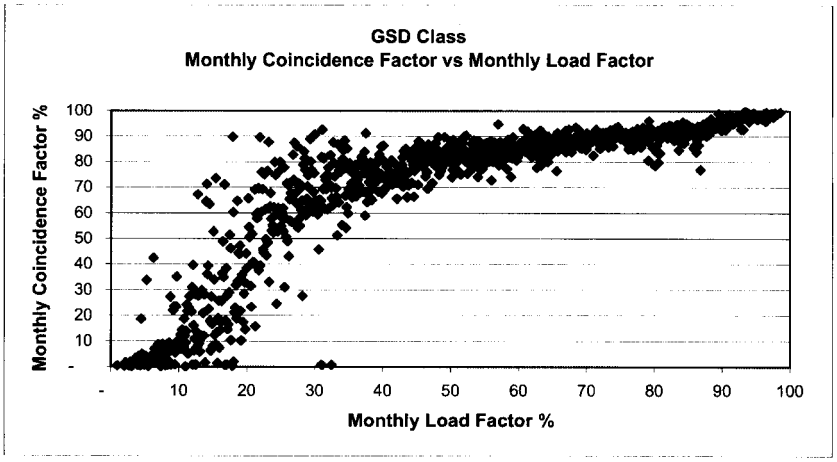
20%
10%
0%
* Load resarch sample


GSD Class
Monthly Coincidence Factor vs Monthly Load Factor
Monthly Coincidence Factor %
100
90
80
70
60
50
40
30
20
10
-
- 10 20 30 40 50 60 70 80 90 100
Monthly Load Factor %

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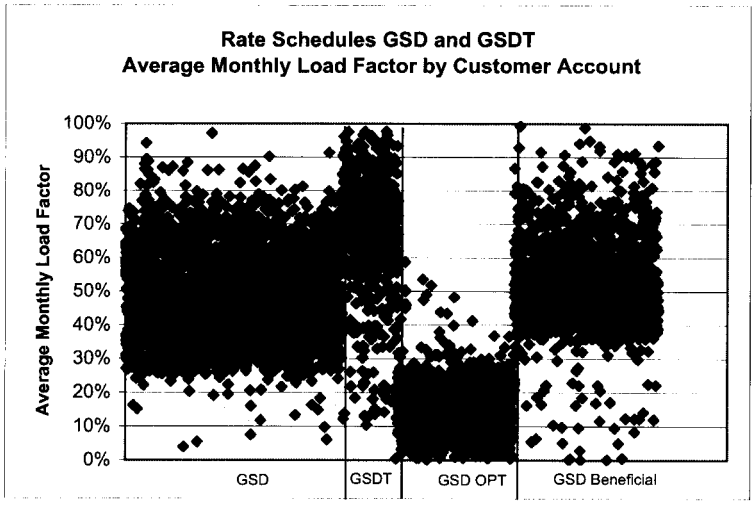

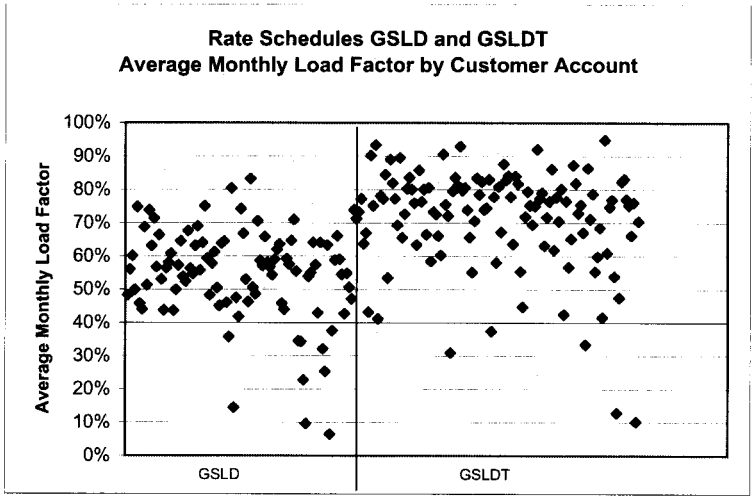

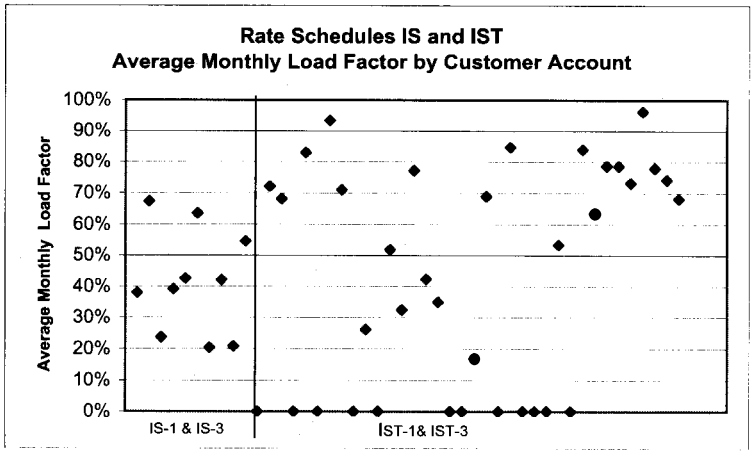

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TAMPA ELECTRIC COMPANY

Determination of Effective Production Capacity Cost Discount for Interruptible Service

Reflects Proposed GSD Costs, Charges and Credits

I. Production Capacity Cost Component	Per Unit Amount $/kw-mo.		Reference Source
a. GSD Base Functionalized Cost of Service	$ 7.32		12CP & 25%AD COS, p. 32 of 83, col. GSD, line 41
b. GSD Capacity Cost Recovery Charge	$ 1.73		MFR Schedule A-2, p. 6 of 12
c. GSD Energy Conservation Cost Recovery Charge	$ 0.74		MFR Schedule A-2, p. 6 of 12
Total GSD Prod. Cap. Cost	$ 9.79	100%	

II. Interruptible Demand Credit	Company Proposed		Pollock Proposed		
d. GSLM-2 CCV amount	$10.91		$13.60		Proposed GSLM-2 Rider
e. Times	x		x		
f. Average IS customer load factor	56%		56%		IS average customer load factor per COS billing units Sum Bill kW = 3,356,134; Bill kW = 1,371,644 MWh
Equals: Interruptible Demand Credit	$ 6.11	62%	$ 7.62	78%	

III. Interruptible Contribution to Prod. Cap. Cost					
GSD Prod. Cap. Cost less Int. Demand Credit	$ 3.68	38%	$ 2.17	-78%	

Revised Pollock Exhibit JP-7

TAMPA ELECTRIC COMPANY

Allocation of Production Plant and Fuel Costs
Under the 12 CP-25% AD Method
Test Year Ending December 31, 2009

		Allocated Net Production Plant					Recovery of Fuel and Purchase Power Expense		
	A	B	C	D	E	F	G	H	I
Line	Rate Class	Amount (000)	12 CP (MW)	*Sys. Req. GWH*	$ Per (kW)	*$ Per (MWh)*	Amount (000)	Energy (GWh)	¢ Per (kWh)
1	RS	1,080,580	2041	*9566*	530	*$ 112.96*	567,196	9566	5.93
2	GS	123,569	234	*1150*	528	*$ 107.45*	68,214	1150	5.93
3	GSD	517,619	923	*5935*	561	*$ 87.21*	351,926	5935	5.93
4	GSLD	212,686	370	*2697*	576	*$ 78.86*	159,918	2697	5.93
5	IS	99,541	115	*1424*	**864**	***$ 69.90***	84,405	1424	5.93
6	SL/OL Energy	6,729	5	*238*	1,381	*$ 28.27*	14,102	238	5.93
7	FL Juris	2,040,724	3,688	*21,010*	**$ 553**	***$ 97.13***	1,245,761	21,010	5.93

Note: Columns in italics are additions to Pollock Exhibit JP-7, Page 1 of 2.

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