AUSLEY & MCMULLEN

ATTORNEYS AND COUNSELORS AT LAW

227 SOUTH CALHOUN STREET
P.O. BOX 391 (ZIP 32302)
TALLAHASSEE, FLORIDA 32301
(850) 224-9115 FAX (850) 222-7560

December 23, 2008

HAND DELIVERED

Ms. Ann Cole, Director
Division of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Petition for Rate Increase by Tampa Electric Company;
Docket No. 080317-EI

Dear Ms. Cole:

Enclosed for filing in the above docket are the original and fifteen (15) copies of Tampa Electric Company's Prehearing Statement.

Also enclosed is a CD containing the above-referenced Prehearing Statement generated on a Windows 98 operating system and using Word 2000 as the word processing software.

Please acknowledge receipt and filing of the above by stamping the duplicate copy of this letter and returning same to this writer.

Thank you for your assistance in connection with this matter.

Sincerely,

Lee L. Willis

LLW/bjd
Enclosures

cc: All Parties of Record (w/enc.)

COM	
ECR	11
GCL	1+CD
OPC	
RCP	1
SSC	1
SGA	1
ADM	
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Rate Increase by Tampa Electric Company.)	DOCKET NO. 080317-EI
)	FILED: December 23, 2008

TAMPA ELECTRIC COMPANY'S
PREHEARING STATEMENT

A. APPEARANCES:

LEE L. WILLIS
JAMES D. BEASLEY
KENNETH R. HART
J. JEFFRY WAHLEN
Ausley & McMullen
Post Office Box 391
Tallahassee, Florida 32302
On behalf of Tampa Electric Company

B. WITNESSES:

Witness	Subject Matter	Issues
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Charles R. Black	Overview	3, 80
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Susan D. Abbott	Consequences of regulatory action and importance of credit ratings	32
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Mark J. Hornick	Generation and related construction and O&M budgets	5, 7, 53, 54, 56, 69, 71, 72

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Regan B. Haines	Energy delivery construction and O&M budgets, reliability, service quality and storm hardening	3, 51, 55, 62, 66 - 68
Dianne S. Merrill	Employee compensation and benefits	48 - 52
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Gordon L. Gillette	Capital structure, financial integrity and overall rate of return	29 – 38 , 76
Susan D. Abbott	Consequences of regulatory action and importance of credit ratings	32, 34
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Mark J. Hornick	Generation and related construction and O&M budgets	5, 7, 53, 54, 56, 69, 71, 72

Joann T. Wehle	Fuel inventory and rail transportation	7, 72
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Alan D. Felsenthal	Income taxes	29, 30, 75, 77
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William R. Ashburn	Cost of service study and rate design	42 – 45, 81 - 111

C. EXHIBITS:

Exhibit	Witness	Description
		Composite Notice Exhibit
		Tariff Sheets
	Various	MFR Schedule A – Executive Summary
	Various	MFR Schedule B – Rate Case
	Various	MFR Schedule E – Net Operating Income
	Various	MFR Schedule D – Cost of Capital
	Various	MFR Schedule E – Rate Schedules (Volumes I, II, II and IV)
	Various	MFR Schedule F – Miscellaneous (Volumes I, II, III and IV)

CRB-1	Black	MRF Sponsor List
GLG-1	Gillette	Composite Exhibit Direct
GLG-2	Gillette	Composite Exhibit Rebuttal
SDA-1	Abbott	Composite Exhibit Direct
DAM-1	Murry	Composite Exhibit Direct
DAM-2	Murry	Composite Exhibit Rebuttal
LLC-1	Cifuentes	Composite Exhibit Direct
MJH-1	Hornick	Composite Exhibit Direct
MJH-2	Hornick	Composite Exhibit Rebuttal
JTW-1	Wehle	Composite Exhibit Direct
JTW-2	Wehle	Composite Exhibit Rebuttal
RBH-1	Haines	Composite Exhibit Direct
RBH-2	Haines	Composite Exhibit Rebuttal
DSM-1	Merrill	Composite Exhibit Direct
DSM-2	Merrill	Composite Exhibit Rebuttal
ELC-1	Carlson	Composite Exhibit Direct
SPH-1	Harris	Composite Exhibit Direct
ADF-1	Felsenthal	Composite Exhibit Direct
JSC-1	Chronister	Composite Exhibit Direct
JSC-2	Chronister	Composite Exhibit Rebuttal
WRA-1	Ashburn	Composite Exhibit Direct
WRA-2	Ashburn	Composite Exhibit Rebuttal

		Comprehensive Service Hearing Exhibit
LFE 2	Black	Notice of Publication
LFE 10	Black	Customer Rose Thompson-Two Year Billing History
LFE 11	Black	Bill Payment Locations – Free and Nominal Fee
LFE 12	Ashburn	Inverted Rate Analysis – Percentage of Customers by Usage Level – Average Use by KWH by Person

D. STATEMENT OF BASIC POSITION

Rate Relief Requested

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

Efforts to Forestall a Request for Rate Relief

Tampa Electric has made significant efforts to control expenditures and avoid as long as possible the need for higher rates. The company's primary goal has been to furnish safe and reliable electric service at the lowest possible cost over the long term. While this goal is simple to state, it is difficult to achieve. Tampa Electric is constantly challenged by changes in the economy, shifting needs of its customers and variations in weather. In addition, the company is challenged by the ever increasing need to protect the environment and comply with new laws

and regulations. Notwithstanding these challenges, Tampa Electric has been particularly successful in its efforts to avoid the need for permanent rate relief. The company has met its challenges by investing billions of dollars in new generation facilities, new environmental equipment, transmission and distribution facilities, and other infrastructure necessary to meet the increases in demand from a growing customer base. Tampa Electric has done all of this without increasing its base rates since its last proceeding in 1992.

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

The performance of Tampa Electric's generating units has also played a major role in its ability to control its need for a base rate increase. The company has improved the performance and availability of its existing generating units. Some of these improvements have provided, in effect, additional generation at a relatively low cost compared to the costs of constructing new and more expensive units. In addition, Tampa Electric has continued to provide aggressive

demand side management programs to its customers. These programs have resulted in deferring the need for approximately 660 megawatts of winter generating capacity, which is the equivalent of almost four simple cycle power plants.

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

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

Causes for the Company's Need for Rate Relief

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

Generation

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

these investments have resulted in incremental costs above incremental revenue to Tampa Electric's system. Consequently, one of the major factors underlying the need for a change in base rates is these generation investments.

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

Transmission and Distribution

By year-end 2009, Tampa Electric will have invested $1.5 billion to construct and maintain its transmission and distribution ("T&D") infrastructure since its last rate case. In addition, significant capital investment in new T&D infrastructure is required for Tampa Electric to continue to meet its obligation to serve at the high degree of reliability customers expect while meeting the new system hardening requirements implemented by the Commission after Florida's active 2004 and 2005 hurricane seasons. Based on recent Florida Reliability Coordinating Council ("FRCC") transmission studies, there are also significant investment requirements planned for the next ten years. Tampa Electric expects to build over 100 miles of 230kV transmission lines during this period necessitated by hardening of the existing infrastructure, new generation in the state and FRCC study impacts. Also, the Federal Energy Regulatory Commission and North American Electric Reliability Corporation have recently instituted more stringent requirements in an effort to strengthen and secure the nation's electric power grid.

These requirements, which are expected to increase as they evolve, have created new capital and O&M pressures on the company.

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

Customer Demand

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

Operations and Maintenance Expenses

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

Environmental Commitments

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

The company's commitment to reduce emissions included the installation of flue gas desulfurization systems, also known as scrubbers, and selective catalytic reduction equipment ("SCRs) for NO_x reductions, and the repowering of the coal-fired Gannon Station to natural gas.

The total estimated costs for these projects are about $1.2 billion. While much of the environmental control systems are being recovered through the Environmental Cost Recovery Clause, the repowering of Gannon Station is not being recovered through the ECRC nor is it being recovered in current rates. The Gannon Station repowering represents about $750 million of the total commitment to reduce emissions.

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

The Company's Proposed Rate Design

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

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

motivate customers, the company requested and the Commission recently approved a similar rate structure for the fuel factor.

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

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

The Current Economic Times

Tampa Electric, and each and every one of the company's employees, is acutely aware of the economic turmoil in which we find ourselves, from global, national, state and local perspectives. This application for a rate increase was assembled over a period of time that saw daily declines in all indices of economic health and well being. Weighing against Tampa

Electric's demonstrated reluctance to seek rate relief, especially under these circumstances, is the company's duty as an investor-owned electric public utility to meet its customers' needs, expectations and statutory right to continue receiving safe, reliable and cost-effective electric service. This decision was difficult, but one which could not be shelved or otherwise ignored.

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

E. STATEMENT OF ISSUES AND POSITIONS

TEST PERIOD

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

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

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

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

QUALITY OF SERVICE

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

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

RATE BASE

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

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

Issue 5: Is the pro forma adjustment related to the annualization of five simple cycle combustion turbine units to be placed in service in 2009 appropriate?

TECO: Yes. TECO appropriately included $36,125,000 and $94,562,000 in rate base and reduced net operating income by $2,352,000 and $4,864,000, for the May and September units, respectively. The units will serve the demand of customers at peak periods of time and will improve system reliability. (Chronister, Hornick)

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

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

Issue 7: Is the pro forma adjustment related to the annualization of the Big Bend Rail Project to be placed into service in December 2009 appropriate?

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

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

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

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

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

Issue 10: Is TECO's requested level of Plant in Service in the amount of $5,483,474,000 for the 2009 projected test year appropriate?

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

Issue 11: Is TECO's requested level of accumulated depreciation in the amount of $1,934,489,000 for the 2009 projected test year appropriate?

TECO: Yes. TECO has properly forecasted this amount for accumulated depreciation and it is appropriate. (Chronister)

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

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

Issue 13: Is TECO's requested level of Construction Work in Progress in the amount of $101,071,000 for the 2009 projected test year appropriate?

TECO: Yes. TECO has properly forecasted this amount for Construction Work in Progress and it is appropriate. (Chronister)

Issue 14: Is TECO's requested level of Property Held for Future Use in the amount of $37,330,000 for the 2009 projected test year appropriate?

TECO: Yes. TECO has properly forecasted this amount for Property Held for Future Use and it is appropriate. (Chronister)

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

TECO: No. TECO has properly forecasted deferred dredging cost and no adjustment is warranted. (Chronister)

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

TECO: No. The Commission should approve TECO's proposed annual accrual and target of $20 and $120 million, respectively. Based on ABS Consulting's study, the accrual and target level are appropriate for most, but not all, storms based on the value of TECO's system. The storm damage reserve is appropriate. (Harris, Carlson, Chronister)

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

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

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

TECO: No. TECO has properly forecasted the amount in Account 143–Other Accounts Receivable in its proposed working capital balance and no adjustment is warranted. (Chronister)

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

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

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

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

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

TECO: No. TECO has properly forecasted its coal inventories and no adjustment is warranted. (Wehle)

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

TECO: No. TECO has properly forecasted its residual oil inventories and no adjustment is warranted. (Wehle)

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

TECO: No. TECO has properly forecasted its distillate oil inventories and no adjustment is warranted. (Wehle)

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

TECO: No. TECO has properly forecasted its natural gas and propane inventories and no adjustment is warranted. (Wehle)

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

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

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

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

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

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

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

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

COST OF CAPITAL

Issue 29: What is the appropriate amount of accumulated deferred taxes to include in the capital structure for the 2009 projected test year?

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

Issue 30: What is the appropriate amount and cost rate of the unamortized investment tax credits to include in the capital structure for the 2009 projected test year?

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

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

TECO: The appropriate amount and cost rate for short-term debt for 2009 are $8,002,000 and 4.63%, respectively, as shown on MFR Schedule D-1a. (Gillette)

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

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

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

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

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

TECO: The appropriate capital structure for 2009 is company's proposed capital structure as shown on MFR Schedule D-1a. (Gillette, Abbott)

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

Issue 36: Does TECO's requested return on common equity appropriately consider its recovery of funds via the Commission's various cost recovery clauses? [FIPUG Issue]

TECO: TECO objects to both of the above stated additional issues requested by FIPUG (Issues 35 and 36). Each of these issues is unnecessary and argumentative by seeking to highlight as sub-issues two of many considerations in establishing a fair and reasonable return on common equity. Both of these arguments can be addressed under Issue 37 below. If the Prehearing Officer decides that any additional issue relative to return on common equity should be added, it should be added as follows:

Does TECO's requested return on common equity consider all of the factors which should be considered in determining a fair and reasonable return on common equity?

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

TECO: The appropriate return on common equity for the 2009 projected test year is 12% with a range of 11% to 13%. (Murry, Gillette)

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

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

NET OPERATING INCOME

Issue 39: Is TECO's projected level of Total Operating Revenues in the amount of $865,359,000 for the 2009 projected test year appropriate?

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

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

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

Issue 41: Is TECO's requested level of O&M Expense in the amount of $370,934,000 for the 2009 projected test year appropriate?

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

Issue 42: Has TECO made the appropriate test year adjustments to remove fuel and purchased power revenues and expenses recoverable through the Fuel and Purchased Power Cost Recovery Clause?

TECO: Yes. TECO has made the appropriate test year adjustments to remove fuel and purchased power revenues and expenses recoverable through the Fuel and Purchased Power Cost Recovery Clause. (Chronister, Ashburn)

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

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

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

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

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

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

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

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

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

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

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

TECO: No. TECO has properly forecasted Salaries and Employee Benefits for the 2009 projected test year. (Merrill, Chronister)

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

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

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

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

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

TECO: No. TECO has properly adjusted operating expenses to take into account TECO's initiatives to improve service reliability. (Haines)

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

TECO: No. TECO has properly forecasted incentive compensation expense and no adjustment is warranted. The company's incentive compensation is one component of overall compensation for officers, key employees and general employees. All of the plans are appropriately designed to incent employees to achieve customer-focused operational and financial goals. (Merrill, Chronister)

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

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

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

TECO: No. TECO has properly forecasted generation maintenance expense and no adjustment is warranted. (Hornick)

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

TECO: No. TECO has properly forecasted substation preventive maintenance and no adjustment is warranted. (Haines)

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

TECO: No. TECO has properly forecasted Dredging expense and no adjustment is warranted. (Hornick)

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

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

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

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

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

TECO: No. TECO has properly forecasted the accrual for property damage and no adjustment is warranted. (Chronister, Carlson, Harris)

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

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

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

TECO: No. TECO has properly forecasted Director's & Officer's Liability Insurance expense and no adjustment is warranted. (Chronister)

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

TECO: No. TECO has properly forecasted meter expense and meter reading expense and no adjustment is warranted. (Haines, Chronister)

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

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

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

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

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

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

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

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

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

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

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

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

Issue 69: Should an adjustment be made to O&M expenses to normalize the number of outages TECO has included in the 2009 projected test year?

TECO: No. TECO has properly forecasted O&M associated with generation outages and no adjustment is warranted. The O&M expense included in the 2009 projected test year reflects a normal level of planned outage expense, forced outage expense, and routine maintenance expense. (Hornick)

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

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

Issue 71: Is the pro forma adjustment related to the annualization of five simple cycle combustion turbine units to be placed in service in 2009 appropriate?

TECO: Yes. TECO's pro forma adjustment to annualize the five combustion turbines is appropriate. TECO appropriately included $130,687,000 in rate base and reduced net operating income by $7,216,000. The units will serve the demand of customers at peak periods of time and will improve system reliability. (Chronister, Hornick)

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

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

Issue 73: Should any adjustments be made to the 2009 test year depreciation expense to reflect the depreciation rates approved by the Commission in Docket No. 070284-EI?

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

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

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

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

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

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

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

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

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

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

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

REVENUE REQUIREMENTS

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

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

Issue 80: Is TECO's requested annual operating revenue increase of $228,167,000 for the 2009 projected test year appropriate?

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

RATE ISSUES

Issue 81: Did the utility correctly calculate the projected revenues at existing rates?

TECO: Yes. (Ashburn, Cifuentes, Chronister)

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

TECO: Yes. TECO utilized, with minor changes, the same jurisdictional separation methodology approved by the Commission in its last base rate proceeding producing separation factors utilized in the MFRs. Changes made to that methodology relate to transmission and were made to comply with FERC and FPSC orders and practices. (Ashburn)

*The results of TECO's jurisdictional separation study show that retail represents the vast majority of the electric service provided by TECO and that retail is responsible for 96.3% of production plant, 82.3% of transmission plant and 100% of distribution plant.

Issue 83: What is the appropriate retail Cost of Service methodology to be used to allocate base rate and cost recovery costs to rate classes?

TECO: The appropriate retail Cost of Service methodology is the 12 Coincident Peak and 25 Percent Average Demand ("12 CP and 25% AD"). It provides an appropriate classification and allocation of production plant to rate classes reflecting how power plants are planned and operated. (Ashburn)

*The use of 25% AD rather than the $1/13^{th}$ (or about 8%) AD better reflects cost causation. Investment in more expensive generating units to provide more efficient fuel conversion for the generation of electricity drives the need to use a greater energy allocation percentage. The 25% provides a balance between the inadequate $1/13^{th}$ (8%) method and the too high Equivalent Peaker method (over 70%).

Issue 84: Should the investment and expenses related to the Polk Unit 1 gasifier and the environmental costs of the Big Bend Unit scrubber be classified as energy or demand?

TECO: The Polk Unit 1 gasifier and the Big Bend scrubber should be classified as energy. An energy classification is more appropriate since customers benefit from lower energy costs as a result of these investments, not from their contribution to meeting peak load. (Ashburn)

*The gasifier performs a fuel conversion function that is completely associated with the provision of fuel to the Polk Unit 1 and not the supply of capacity. The

Big Bend scrubber was classified to energy in TECO's last approved cost of service study, additional scrubber investment has been classified to energy in the environmental cost recovery clause, and this treatment remains appropriate because the main purpose of this investment is related to capture unwanted emissions from the plant and does not serve load or help maintain reliability. (Ashburn)

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

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

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

TECO: The appropriate allocation of any change, after recognizing any additional revenues realized in other operating revenues, should track, to the extent practical, each class' revenue deficiency as determined from TECO's proposed 12 CP and 25% AD cost of service study. (Ashburn)

*The appropriate allocation compares present revenue for each class to the class cost of service requirement and then distributes the change in revenue requirements to classes. The appropriate allocation must recognize approved changes in consolidation of classes, treatment of current IS customers and restructuring of lighting rate schedules. Moving the classes close to 100% of parity and recognizing unit price change constraints provides a measure of fair recovery of cost.

Issue 87: Should the interruptible rate schedules IS-1, IS-3, IST-1, IST-3, SBI-1 and SBI-3 be eliminated? If so, how should rates for customers currently taking service on interruptible rate schedules be designed, including whether a credit approach is appropriate, and if so, how such an approach should be implemented?

TECO: Yes. The interruptible rate schedules should be eliminated and existing customers on those rate schedules should be transferred to the appropriate GSD or SBF rate schedules with cost effective credits for interruptible service provided under the appropriate GSLM-2 and GSLM-3 conservation program rate riders. (Ashburn)

*The listed interruptible rate schedules were closed to new business for many years having been found by the Commission to be not cost effective. The Commission has previously approved TECO's GSLM-2 and GSLM-3 riders that provide a cost effective interruptible service option. This rate case is the appropriate time for the Commission to complete this long, gradual conversion of the remaining interruptible rate schedule customers to cost effective rates which provide the appropriate discount for their service and remove any remaining subsidy being provided to them by firm service customers.

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

TECO: Yes. The proposed GSD rate schedule recognizes metering and service voltage differences of al general service demand customers. There is no further justification for arbitrarily establishing subsets of these customers on other rate schedules. (Ashburn)

*The present GSD and GSLD charges for energy and demand are identical, with the only difference being the customer charge reflecting service voltage differences and the application of power factor to GSLD. These differences are addressed in the proposed GSD through voltage level customer charges and application of power factor only to GSD customers over 1000 kW in demand. With these rate design changes to GSD, it is reasonable and appropriate to combine those rate schedules. The combined rate schedule is the appropriate schedule to transfer the IS customers to when that schedule is eliminated, as discussed in Issue 68.

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

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

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

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

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

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

Issue 92: Should the existing RST rate schedule be eliminated and the customers currently taking service under the schedule be transferred to service under the RS or RSVP rate schedule?

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

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

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

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

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

Issue 95: Are TECO's proposed Reconnect after Disconnect charges at the point of metering and at a point distant from the meter appropriate?

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

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

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

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

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

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

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

Initial Service Connection	$ 75.00
Normal Reconnect Subsequent Subscriber	$ 25.00
Same Day Reconnect	$ 65.00
Saturday Reconnect	$300.00
Reconnect after Disconnect at Meter for Cause	$ 50.00

Reconnect after Disconnect at Pole for Cause	$140.00
Field Credit Visit	$ 20.00
Tampering Charge without Investigation	$ 50.00
Return Check Fee	Per Fl. Statutes
Late Payment Charge	The Greater Of 1.5% or $5.00

Issue 99: What is the appropriate temporary service charge?

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

Issue 100: What are the appropriate customer charges?

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

RS Standard	10.50 $/bill
RSVP	10.50 $/bill
GS Standard	10.50 $/bill
GS Standard – Unmetered	9.00 $/bill
GS Time-of-Day	12.00 $/bill
TS Standard	10.50 $/bill
Metered Lighting	10.50 $/bill
GSD Standard Secondary	57.00 $/bill
GSD Standard Primary	130.00 $/bill
GSD Subtransmission	930.00 $/bill
GSD Optional Secondary	57.00 $/bill
GSD Optional Primary	130.00 $/bill
GSD Optional Subtransmission	930.00 $/bill
GSD Time-of-Day Secondary	57.00 $/bill
GSD Time-of-Day Primary	130.00 $/bill
GSD Time-of-Day Subtransmission	930.00 $/bill
SBF Standard Secondary	82.00 $/bill
SBF Standard Primary	155.00 $/bill
SBF Standard Subtransmission	955.00 $/bill
SBF Time-of-Day Secondary	82.00 $/bill
SBF Time-of-Day Primary	155.00 $/bill

SBF Time-of-Day Subtransmission ll	955.00 $/bill

Issue 101: What are the appropriate demand charges?

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

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

Issue 102: What are the appropriate Standby Service charges?

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

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

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

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

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

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

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

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

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

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

Issue 106: What are the appropriate contributions in aid for time of use rate customers opting to make a lump sum payment for a time-of-use meter in lieu of a higher time-of-use customer charge?

TECO: The appropriate contributions in aid for time of use rate customers opting to make a lump sum payment for a time-of-use meter in lieu of a higher time-of-use customer charge are $70 for the GST rate schedule and $0 for the GSDT rate schedule. (Ashburn)

Issue 107: What are the appropriate energy charges?

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

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

Issue 108: What changes in allocation and rate design should be made to TECO's rates established in Docket Nos. 080001-EI, 080002-EG, and 080007-EI to recognize the decisions in various cost of service rate design issues in this docket?

TECO: The changes proposed by TECO regarding cost of service allocation and rate design (i.e., consolidation of rate classes, conversion of IS and changing recovery clause rates for GSD to a billing demand basis) should be made to TECO's rates established in the identified dockets to recognize decisions in this docket. (Ashburn)

*Recovery factors for the cost recovery clauses must be revised when the base rate changes in this proceeding go into effect, as was proposed in the identified dockets. Those proposed revised recovery factors reflect the proposed change to the cost of service methodology, consolidation of the GSD, GSLD and IS rate classes, and the change of recovery in the Capacity Cost Recovery and Energy

Conservation Cost Recovery clauses to be applicable to GSD standard rate billing demand rather than kWh. This last change is appropriate because the Capacity Cost Recovery and Energy Conservation Cost Recovery clauses are predominantly capacity related and it is appropriate to recover these costs on a demand basis.

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

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

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

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

TECO: No. It is not appropriate and it would result in subsidization by all other customers. Furthermore, TECO does not have sufficient load research data necessary to develop such a rate; however, it is likely that for county public

schools, a cost-based rate would result in rates higher than current rates. (Ashburn)

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

TECO: The appropriate effective date for the rates and charges established in the proceeding is May 8, 2009. (Ashburn)

OTHER ISSUES

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

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

Issue 113: Should TECO be required to file, within 90 days after the date of the final order in this docket, a description of all entries or adjustments to its annual report, rate of return reports, and books and records which will be required as a result of the Commission's findings in this rate case?

TECO: Yes. (Chronister)

Issue 114: Should this docket be closed?

TECO: Yes. (Legal)

F. STIPULATED ISSUES

TECO: None at this time.

G. MOTIONS

TECO: None at this time.

H. PENDING REQUEST OR CLAIMS FOR CONFIDENTIALITY

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

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

I. OBJECTIONS TO A WITNESS'S QUALIFICATION AS AN EXPERT

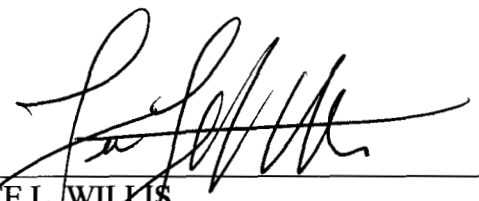
TECO: None at this time.

J. OTHER MATTERS

TECO: None at this time.

DATED this 23rd day of December, 2008.

Respectfully submitted,



LEE L. WILLIS
JAMES D. BEASLEY
Ausley & McMullen
Post Office Box 392
Tallahassee, Florida 32302
(850) 224-9115

ATTORNEYS FOR TAMPA ELECTRIC COMPANY

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Prehearing Statement, filed on behalf of Tampa Electric Company, has been served by hand delivery (*) or U. S. Mail on this 23rd day of December, 2008 to the following:

Keino Young/Martha Brown*
Jennifer Brubaker/Jean Hartman
Office of General Counsel
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

J. R. Kelly/Patricia A. Christensen
Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street, Room 812
Tallahassee, FL 32399-1400

Robert Scheffel Wright
John T. LaVia, III
Young van Assenderp, P.A.
225 South Adams Street, Suite 200
Tallahassee, FL 32301

Vicki Gordon Kaufman
Jon C. Moyle, Jr.
Anchors Smith Grimsley
118 North Gadsden Street
Tallahassee, FL 32301

John W. McWhirter, Jr.
McWhirter, Reeves & Davidson, P.A.
Post Office Box 3350
Tampa, FL 33601-3350

Michael B. Twomey
Post Office Box 5256
Tallahassee, FL 32314-5256

Cecilia Bradley
Office of the Attorney General
The Capitol – PL 01
Tallahassee, FL 32399-1050

ATTORNEY