

**INVERTED RATE ANALYSIS
Percentage of Customers by Usage Level
Average Use by KWH by Person**

Request

The request was initiated from discussions at the Winter Haven Service Hearing on October 22, 2008 regarding Tampa Electric's proposed residential inclining block rate or inverted rate. Specifically, the company was asked to provide the number and percentage of customers by various usage ranges.

Background

In the direct testimony of Tampa Electric witness William R. Ashburn, the company considered numerous objectives in designing its rates. One of its objectives was to provide conservation-oriented price signals. The company is proposing to meet this objective by changing the residential standard service rate schedule from a flat base energy rate to a two-block, inverted base energy rate design, with break point at 1,000 kWh and a \$0.01 per kWh differential between the two blocks. It is proposing to make a similar change to its fuel factor in Docket No. 080001-EI to fully take advantage of this conservation-oriented rate design.

As witness Ashburn describes in his testimony, an inverted base energy rate has become a standard in Florida with the Florida Public Service Commission having approved such rates for Florida Power & Light ("FP&L") and Progress Energy Florida ("PEF") in Order No. PSC-05-0902-S-EI in Docket Nos. 050045-EI and 050188-EI, issued September 14, 2005 and in Order No. PSC-02-0655-AS-EI in Docket No. 000824-EI, issued May 14, 2002, respectively.

Additionally, the Commission approved inverted residential fuel rates at 1,000 kWh for both FP&L and PEF in Order No. PSC-05-1252-FOF-EI in Docket No. 050001-EI, issued December 23, 2005. More recently the Commission approved Florida Public Utilities inverted fuel rate at 1,000 kWh in the fuel docket in Order PSC-08-0030-FOF-EI, issued January 08, 2008. The higher rate at the second block, above 1,000 kWh, provides a price signal to customers about energy use that can serve as a way to encourage energy conservation while the lower first block rate provides a billing benefit to lower use customers.

Tampa Electric's proposed residential inverted rate structure would be applied similarly to that of FP&L and PEF. For the first block of energy usage, 1,000 kWh, customers would pay a base energy charge of \$.05079 per kWh. As usage exceeds 1,000 kWh, customers would pay a higher base energy charge of \$.06079 per kWh for all energy consumed above 1,000 kWh. For example, if a customer uses 1,100 kWh, the first 1,000 kWh is priced at the lower block rate and the 100 kWh is priced at the higher block rate for a total base energy charge of \$56.16. Under a levelized rate per kWh consumed, the total base energy charge would be \$59.72.

Response

The attached chart, "Tampa Electric Company - Residential Monthly Number of Bills and Percent of Bills per Monthly Customer kWh Usage", shows the monthly number of bills per kWh usage, and the percent of monthly bills at various usage levels with cumulative totals. Tampa Electric used similar data from 2007 to evaluate the overall impact inverted rates would have on residential customers as it developed its rate design. Based on this usage information, the "breakeven" for customers under a levelized design compared to an inverted rate design is at

approximately 1,500 kWh; that is, customers' rates would be the same under both rate designs (current and proposed). Furthermore, approximately two-thirds of Tampa Electric's customers use less than 1,500 kWh per month and will benefit from the proposed inverted rate.

Tampa Electric has also provided two additional charts showing the proposed monthly bill amounts per customer usage by assuming 1) proposed inverted fuel and energy charges and 2) flat fuel and energy charges. It demonstrates that at 1,500 kWh of monthly usage, the base rate increase is about the same under both rate designs; a 10.1 percent increase for inverted fuel and energy charges and a 10.2 percent increase for flat fuel and energy charges.

**Tampa Electric Company
Residential Monthly Number of Bills and
Percent of Bills per Monthly Customer kWh Usage
12-Months Ending September 2008**

| Customer Monthly kWh Usage | Monthly Number of Bills | Cumulative Number of Bills | Percent of Total Monthly Bills | Cumulative Percent of Total Monthly Bills |
|-----------------------------------|--------------------------------|-----------------------------------|---------------------------------------|--|
| 0 | 3,478 | 3,478 | 0.61% | 0.61% |
| 1 - 500 | 88,846 | 92,324 | 15.60% | 16.21% |
| 501 - 600 | 30,981 | 123,305 | 5.44% | 21.65% |
| 601 - 700 | 33,518 | 156,823 | 5.88% | 27.53% |
| 701 - 800 | 34,691 | 191,514 | 6.09% | 33.62% |
| 801 - 900 | 34,649 | 226,163 | 6.08% | 39.71% |
| 901 - 1,000 | 33,811 | 259,974 | 5.94% | 45.64% |
| 1,001 - 1,250 | 76,997 | 336,971 | 13.52% | 59.16% |
| 1,251 - 1,500 | 63,304 | 400,275 | 11.11% | 70.27% |
| 1,501 - 1,750 | 48,936 | 449,211 | 8.59% | 78.86% |
| 1,751 - 2,000 | 36,005 | 485,216 | 6.32% | 85.19% |
| 2,001 - 2,250 | 25,808 | 511,024 | 4.53% | 89.72% |
| 2,251 - 2,500 | 18,130 | 529,154 | 3.18% | 92.90% |
| 2,501 - 2,750 | 12,572 | 541,726 | 2.21% | 95.11% |
| 2,751 - 3,000 | 8,641 | 550,367 | 1.52% | 96.62% |
| 3,001 - 3,500 | 9,856 | 560,223 | 1.73% | 98.35% |
| 3,501 - 4,000 | 4,574 | 564,797 | 0.80% | 99.16% |
| 4,001 - 4,500 | 2,143 | 566,940 | 0.38% | 99.53% |
| 4,501 - 5,000 | 1,071 | 568,011 | 0.19% | 99.72% |
| Over 5,000 | 1,588 | 569,599 | 0.28% | 100.00% |
| Total | 569,599 | | 100.00% | |

4

TAMPA ELECTRIC COMPANY
DOCKET NO. 080317-EI
SERVICE HEARINGS
LATE-FILED EXHIBIT 10
PAGE 4 OF 5
FILED: OCTOBER 31, 2008

Tampa Electric Company
Proposed Monthly Bill Amounts
per Monthly Customer kWh Usage
Assuming Inverted Fuel and Energy Charges

| Customer Monthly kWh Usage | Proposed Monthly Bill as of 1/1/09 | Proposed Monthly Bill as of 5/7/09 | Dollar Increase | Percent of Total Monthly |
|-----------------------------------|---|---|------------------------|---------------------------------|
| 500 | \$68.58 | \$74.72 | \$6.14 | 9.0% |
| 750 | \$98.51 | \$106.70 | \$8.19 | 8.3% |
| 1,000 | \$128.44 | \$138.68 | \$10.24 | 8.0% |
| 1,100 | \$141.44 | \$153.52 | \$12.08 | 8.5% |
| 1,200 | \$154.44 | \$168.36 | \$13.92 | 9.0% |
| 1,300 | \$167.43 | \$183.20 | \$15.77 | 9.4% |
| 1,400 | \$180.43 | \$198.05 | \$17.62 | 9.8% |
| 1,500 | \$193.43 | \$212.89 | \$19.46 | 10.1% |
| 1,800 | \$232.42 | \$257.41 | \$24.99 | 10.8% |
| 2,000 | \$258.42 | \$287.10 | \$28.68 | 11.1% |
| 3,000 | \$388.40 | \$435.52 | \$47.12 | 12.1% |
| 5,000 | \$648.36 | \$732.36 | \$84.00 | 13.0% |

Tampa Electric Company
Proposed Monthly Bill Amounts
per Monthly Customer kWh Usage
Assuming Flat Fuel and Energy Charges

| Customer Monthly kWh Usage | Proposed Monthly Bill as of 1/1/09 | Proposed Monthly Bill as of 5/7/09 | Dollar Increase | Percent Increase |
|-----------------------------------|---|---|------------------------|-------------------------|
| 500 | \$70.37 | \$78.31 | \$7.94 | 11.3% |
| 750 | \$101.20 | \$112.08 | \$10.88 | 10.8% |
| 1,000 | \$132.03 | \$145.86 | \$13.83 | 10.5% |
| 1,100 | \$144.36 | \$159.37 | \$15.01 | 10.4% |
| 1,200 | \$156.69 | \$172.87 | \$16.18 | 10.3% |
| 1,300 | \$169.02 | \$186.38 | \$17.36 | 10.3% |
| 1,400 | \$181.36 | \$199.89 | \$18.53 | 10.2% |
| 1,500 | \$193.69 | \$213.40 | \$19.71 | 10.2% |
| 1,800 | \$230.68 | \$253.93 | \$23.25 | 10.1% |
| 2,000 | \$255.34 | \$280.94 | \$25.60 | 10.0% |
| 3,000 | \$378.66 | \$416.03 | \$37.37 | 9.9% |
| 5,000 | \$625.28 | \$686.21 | \$60.93 | 9.7% |