

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for Rate Increase by )  
Tampa Electric Company )

DOCKET NO. 080317-EI  
FILED: FEBRUARY 5, 2009

RECEIVED-FPSC  
109 FEB -5 PM 4:57  
COMMISSION  
CLERK

NOTICE OF FILING THE FLORIDA RETAIL FEDERATION  
LATE-FILED EXHIBIT NO. 123

The Florida Retail Federation, pursuant to instructions by the Commission at the conclusion of the hearing in this docket, and by and through its undersigned counsel, hereby gives notice of filing its Late-Filed Exhibit No. 123. A copy of the Exhibit is attached to this Notice of Filing.

Respectfully submitted this 5th day of February, 2009.



Robert Scheffel Wright  
Florida Bar No. 968721  
John T. LaVia, III  
Florida Bar No. 853666  
Young van Assenderp, P.A.  
225 South Adams Street, Suite 200  
Tallahassee, Florida 32301  
(850) 222-7206 Telephone  
(850) 561-6834 Facsimile

Attorneys for the Florida  
Retail Federation

COM \_\_\_\_\_  
ECR 4  
ECL \_\_\_\_\_  
OPC \_\_\_\_\_  
RCP 1  
SSC 1  
SGA 2  
ADM \_\_\_\_\_  
CLK \_\_\_\_\_

DOCUMENT NUMBER-DATE

00940 FEB-5 8

FPSC-COMMISSION CLERK

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by electronic delivery and U.S. Mail this 5th day of February, 2009, to the following:

Jean Hartman/Keino Young  
Jennifer Brubaker/Martha Brown  
Florida Public Service Commission  
Division of Legal Services  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399

Lee Willis/James Beasley  
Ausley Law Firm  
P.O. Box 391  
Tallahassee, FL 32302

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

Paula K. Brown  
Tampa Electric Company  
Regulatory Affairs  
P.O. Box 111  
Tampa, FL 33601-0111

Vicki Kaufman/Jon Moyle  
Keefe, Anchors, Gordon & Moyle  
The Perkins House  
118 North Gadsden Street  
Tallahassee, FL 32301

  
Attorney

**TAMPA ELECTRIC COMPANY, DOCKET NO. 080317-EI  
 IMPACT ON CONSUMERS OF DEBT AND EQUITY COSTS  
 "BANG FOR THE BUCK" ANALYSIS**

**Cost of Capital Savings to Consumers vs. Company's Base Case of 12.0% ROE  
 and 6.8% Interest Rate on Long-Term Bonds**

**Tampa Electric Capital Structure**

Base Case - New Rates in 2009,  
Rates Stay Constant Through 2013

		<u>2009 Only</u>	<u>2009-2013*</u>
<b>Base Case</b>	<b>ROE @ 12.0%, LT Debt @ 6.8%</b>	\$0	\$0
	ROE @ 9.75%, LT Debt @ 6.8% (A)	\$67,367,000	\$287,987,000
	ROE @ 9.75%, LT Debt @ 7.3% (B)	\$60,379,000	\$257,664,000
	ROE @ 9.75%, LT Debt @ 7.8% (C)	\$53,391,000	\$227,341,000
	ROE @ 9.75%, LT Debt @ 8.8% (D)	\$39,493,000	\$166,696,000

"Instant Rate Case" Scenario - Assumes  
New Rates Every Year, 2009-2013

<b>Base Case</b>	<b>ROE @ 12.0%, LT Debt @ 6.8%</b>		
	ROE @ 9.75%, LT Debt @ 6.8% (A)	\$67,367,000	\$293,537,000
	ROE @ 9.75%, LT Debt @ 7.3% (B)	\$60,379,000	\$256,161,000
	ROE @ 9.75%, LT Debt @ 7.8% (C)	\$53,391,000	\$218,785,000
	ROE @ 9.75%, LT Debt @ 8.8% (D)	\$39,493,000	\$144,033,000

NOTES: The values shown represent the savings to customers if the Commission sets rates based on the 9.75% ROE and the interest rates as specified in the sensitivity cases (A) through (D). Equivalently, these values show the extra cost to customers if the Commission sets rates based on the Company's requested 12.0% ROE vs. each comparison case.

The "Instant Rate Case" scenario assumes that the Company's entire debt is refinanced at the higher interest rates in each year.

Case (A) illustrates the cost impact on consumers if the Company would remain at a BBB rating and interest rates stay the same with ROE set at 9.75%. The Company's witnesses cannot confirm that the Company's bond rating would change even with the requested 12.0% ROE. Gillette, TR 269-271, 495; Abbott, TR 616-617.

Case (B) illustrates the cost impact on consumers if the Company would incur long-term interest cost that is greater than the Company's 6.8% value by 50 basis points. O'Donnell, TR 2382-2383

Case (C) illustrates the cost impact on consumers if the Company would incur long-term interest cost that is greater than the Company's 6.8% value by 100 basis points. Abbott, TR 620

Case (D) illustrates the cost impact on consumers if the Company would incur long-term interest cost that is greater than the Company's 6.8% value by 200 basis points. Gillette, TR 460, 486

The interest rate spreads for A vs. BBB-rated bonds are based on the record citations shown. Additionally, casual examination of Exhibit 80, page 2 (Gillette) shows that, before the "credit meltdown" in September 2008, the spread between A vs. BBB interest rates was between approximately 35 basis points and approximately 100 basis points.

- The 2009-2013 values are net present values using a discount rate equal to Tampa Electric's weighted average cost of capital per the Company's proposal, 8.82%. Source for weighted average cost of capital: MFR D1-a, page 1 of 3.

# Tampa Electric Company

Docket No. 080317-EI

## Calculation of Impact on Customers for a Higher ROE to Obtain a Lower Cost of Debt 2009, Company Proposal vs. 9.75% ROE and 6.8% Long-Term Interest Rate

Component	Company Request	Ratio (%)	Cost Rate (%)	Wgtd. Cost Rate (%)	Tax Gross-Up Factor	Wgtd. Pre-Tax Cost of Cap
	(000's)					
Long-Term Debt	\$1,397,565	38.22%	6.80%	2.60%	1.000	2.60%
Short-Term Debt	\$8,002	0.22%	4.63%	0.01%	1.000	0.01%
Customer Deposits	\$103,724	2.84%	6.07%	0.17%	1.000	0.17%
Tax Credits	\$8,780	0.24%	9.75%	0.02%	1.000	0.02%
Deferred Inc. Taxes	\$302,744	8.28%	0.00%	0.00%	1.000	0.00%
Common Equity	\$1,835,985	50.21%	12.00%	6.02%	1.635	9.85%
	\$3,656,800	100.00%		8.83%		12.65%
Total Cost of Capital to Consumers = Rate Base x Pre-Tax Cost of Capital =						\$462,585,200

Component	Company Request	Ratio (%)	Cost Rate (%)	Wgtd. Cost Rate (%)	Tax Gross-Up Factor	Pre-Tax Cost of Cap
	(000's)					
Long-Term Debt	\$1,397,565	38.22%	6.80%	2.60%	1.000	2.60%
Short-Term Debt	\$8,002	0.22%	4.63%	0.01%	1.000	0.01%
Customer Deposits	\$103,724	2.84%	6.07%	0.17%	1.000	0.17%
Tax Credits	\$8,780	0.24%	9.75%	0.02%	1.000	0.02%
Deferred Inc. Taxes	\$302,744	8.28%	0.00%	0.00%	1.000	0.00%
Common Equity	\$1,835,985	50.21%	9.75%	4.90%	1.635	8.00%
	\$3,656,800	100.00%		7.70%		10.81%
Total Cost of Capital to Consumers = Rate Base x Pre-Tax Cost of Capital =						\$395,218,067

Net Savings to Consumers with ROE @ 9.75% and LT interest rate at 6.8% vs. Company proposal = \$67,367,133  
 Net Additional Cost to Consumers under Company proposal vs. ROE @ 9.75% and LT interest rate @ 6.8% = \$67,367,133

NOTE: Rate base, capital structure, and cost rates are from MFR D1-a, except where the ROE and long-term interest rates are varied as specified in the comparison case.

**Tampa Electric Company**  
**Docket No. 080317-EI**

**Calculation of Impact on Customers for a Higher ROE to Obtain a Lower Cost of Debt**  
**2009, Company Proposal vs. 9.75% ROE and 7.3% Long-Term Interest Rate**

Component	Company Request	Ratio (%)	Cost Rate (%)	Wgtd. Cost Rate (%)	Tax Gross-Up Factor	Wgtd. Pre-Tax Cost of Cap
	(000's)					
Long-Term Debt	\$1,397,565	38.22%	6.80%	2.60%	1.000	2.60%
Short-Term Debt	\$8,002	0.22%	4.63%	0.01%	1.000	0.01%
Customer Deposits	\$103,724	2.84%	6.07%	0.17%	1.000	0.17%
Tax Credits	\$8,780	0.24%	9.75%	0.02%	1.000	0.02%
Deferred Inc. Taxes	\$302,744	8.28%	0.00%	0.00%	1.000	0.00%
Common Equity	\$1,835,985	50.21%	12.00%	6.02%	1.635	9.85%
	\$3,656,800	100.00%		8.83%		12.65%
Total Cost of Capital to Consumers = Rate Base x Pre-Tax Cost of Capital =						\$462,585,200

Component	Company Request	Ratio (%)	Cost Rate (%)	Wgtd. Cost Rate (%)	Tax Gross-Up Factor	Pre-Tax Cost of Cap
	(000's)					
Long-Term Debt	\$1,397,565	38.22%	7.30%	2.79%	1.000	2.79%
Short-Term Debt	\$8,002	0.22%	4.63%	0.01%	1.000	0.01%
Customer Deposits	\$103,724	2.84%	6.07%	0.17%	1.000	0.17%
Tax Credits	\$8,780	0.24%	9.75%	0.02%	1.000	0.02%
Deferred Inc. Taxes	\$302,744	8.28%	0.00%	0.00%	1.000	0.00%
Common Equity	\$1,835,985	50.21%	9.75%	4.90%	1.635	8.00%
	\$3,656,800	100.00%		7.89%		11.00%
Total Cost of Capital to Consumers = Rate Base x Pre-Tax Cost of Capital =						\$402,205,892

Net Savings to Consumers with ROE @ 9.75% and LT interest rate at 7.3% vs. Company proposal = \$60,379,308  
 Net Additional Cost to Consumers under Company proposal vs. ROE @ 9.75% and LT interest rate @ 7.3% = \$60,379,308

NOTE: Rate base, capital structure, and cost rates are from MFR D1-a, except where the ROE and long-term interest rates are varied as specified in the comparison case.

**Tampa Electric Company**  
**Docket No. 080317-EI**

**Calculation of Impact on Customers for a Higher ROE to Obtain a Lower Cost of Debt**  
**2009, Company Proposal vs. 9.75% ROE and 7.8% Long-Term Interest Rate**

Component	Company Request	Ratio (%)	Cost Rate (%)	Wgtd. Cost Rate (%)	Tax Gross-Up Factor	Wgtd. Pre-Tax Cost of Cap
	(000's)					
Long-Term Debt	\$1,397,565	38.22%	6.80%	2.60%	1.000	2.60%
Short-Term Debt	\$8,002	0.22%	4.63%	0.01%	1.000	0.01%
Customer Deposits	\$103,724	2.84%	6.07%	0.17%	1.000	0.17%
Tax Credits	\$8,780	0.24%	9.75%	0.02%	1.000	0.02%
Deferred Inc. Taxes	\$302,744	8.28%	0.00%	0.00%	1.000	0.00%
Common Equity	\$1,835,985	50.21%	12.00%	6.02%	1.635	9.85%
	\$3,656,800	100.00%		8.83%		12.65%

Total Cost of Capital to Consumers = Rate Base x Pre-Tax Cost of Capital = \$462,585,200

Component	Company Request	Ratio (%)	Cost Rate (%)	Wgtd. Cost Rate (%)	Tax Gross-Up Factor	Pre-Tax Cost of Cap
	(000's)					
Long-Term Debt	\$1,397,565	38.22%	7.80%	2.98%	1.000	2.98%
Short-Term Debt	\$8,002	0.22%	4.63%	0.01%	1.000	0.01%
Customer Deposits	\$103,724	2.84%	6.07%	0.17%	1.000	0.17%
Tax Credits	\$8,780	0.24%	9.75%	0.02%	1.000	0.02%
Deferred Inc. Taxes	\$302,744	8.28%	0.00%	0.00%	1.000	0.00%
Common Equity	\$1,835,985	50.21%	9.75%	4.90%	1.635	8.00%
	\$3,656,800	100.00%		8.08%		11.19%

Total Cost of Capital to Consumers = Rate Base x Pre-Tax Cost of Capital = \$409,193,717

Net Savings to Consumers with ROE @ 9.75% and LT interest rate at 7.8% vs. Company proposal = \$53,391,483

Net Additional Cost to Consumers under Company proposal vs. ROE @ 9.75% and LT interest rate @ 7.8% = \$53,391,483

NOTE: Rate base, capital structure, and cost rates are from MFR D1-a, except where the ROE and long-term interest rates are varied as specified in the comparison case.

# Tampa Electric Company

## Docket No. 080317-EI

### Calculation of Impact on Customers for a Higher ROE to Obtain a Lower Cost of Debt 2009, Company Proposal vs. 9.75% ROE and 8.8% Long-Term Interest Rate

Component	Company Request (000's)	Ratio (%)	Cost Rate (%)	Wgtd. Cost Rate (%)	Tax Gross-Up Factor	Wgtd. Pre-Tax Cost of Cap
Long-Term Debt	\$1,397,565	38.22%	6.80%	2.60%	1.000	2.60%
Short-Term Debt	\$8,002	0.22%	4.63%	0.01%	1.000	0.01%
Customer Deposits	\$103,724	2.84%	6.07%	0.17%	1.000	0.17%
Tax Credits	\$8,780	0.24%	9.75%	0.02%	1.000	0.02%
Deferred Inc. Taxes	\$302,744	8.28%	0.00%	0.00%	1.000	0.00%
Common Equity	\$1,835,985	50.21%	12.00%	6.02%	1.635	9.85%
	\$3,656,800	100.00%		8.83%		12.65%

Total Cost of Capital to Consumers = Rate Base x Pre-Tax Cost of Capital = \$462,585,200

Component	Company Request (000's)	Ratio (%)	Cost Rate (%)	Wgtd. Cost Rate (%)	Tax Gross-Up Factor	Pre-Tax Cost of Cap
Long-Term Debt	\$1,397,565	38.22%	8.80%	3.36%	1.000	3.36%
Short-Term Debt	\$8,002	0.22%	4.63%	0.01%	1.000	0.01%
Customer Deposits	\$103,724	2.84%	6.07%	0.17%	1.000	0.17%
Tax Credits	\$8,780	0.24%	9.75%	0.02%	1.000	0.02%
Deferred Inc. Taxes	\$302,744	8.28%	0.00%	0.00%	1.000	0.00%
Common Equity	\$1,835,985	50.21%	9.75%	4.90%	1.635	8.00%
	\$3,656,800	100.00%		8.46%		11.57%

Total Cost of Capital to Consumers = Rate Base x Pre-Tax Cost of Capital = \$423,091,760

Net Savings to Consumers with ROE @ 9.75% and LT interest rate at 8.8% vs. Company proposal = \$39,493,440

Net Additional Cost to Consumers under Company proposal vs. ROE @ 9.75% and LT interest rate @ 8.8% = \$39,493,440

NOTE: Rate base, capital structure, and cost rates are from MFR D1-a, except where the ROE and long-term interest rates are varied as specified in the comparison case.

Rate Base Calculations and Assumptions for Years 2010-2013

Start with TECO's jurisdictional rate base for 2009 = \$3,656,800,000

In 2010, the rate base will be:

2009 rate base MINUS depreciation expense associated w/ the 2009 rate base, which is \$194,608,000 (MFR C-1, page 1 of 3)

PLUS

2010 plant additions of \$669,153,855

MINUS

The depreciation expense associated with the Company's estimated 2010 plant additions (calculated from Exhibit 13, Item No. 44, which is the Company's response to OPC POD Request No. 46, Bates-stamped page no. 58612)

The depreciation expense associated with the plant additions is calculated as follows:

TECO jurisdictional Plant In Service (PIS) in 2009 is \$5,644,926,000 (MFR B-1, page 1 of 3)

The depreciable part of that PIS amount is estimated as follows:

Jurisdictional company PIS = \$5,644,926,000

Total company non-depreciables = \$43,315,000 + \$7,134,000 + \$4,971,000 = \$55,420,000 (MFR B-7, page 9 of 27); multiplied by the Company's total rate base jurisdictional separation factor of 0.962302 (MFR B-1, page 1 of 3), this indicates jurisdictional non-depreciables of \$55,420,000 x .962302 = \$53,330,776.

Thus, the jurisdictional plant in service that is comparable to the jurisdictional depreciation expense is estimated as = jurisdictional PIS – jurisdictional percentage of non-depreciables = \$5,591,595,224 (calc)

Dividing the jurisdictional depreciation expense (\$194,608,000, from MFR B-1) by the foregoing = 3.480%

Thus, the depreciation on the 2010 capital additions is estimated as:

$$.0348 \times \$669,153,855 = \$23,286,554$$

Thus, 2010 Rate Base =

$$\$3,656,800,000 - \$194,608,000 + \$669,153,855 - \$23,286,554 = \underline{\underline{\$4,108,059,301}}$$

For succeeding years, the same depreciation expense ratio was applied to cumulative plant additions, which were derived from Exhibit 13, Item No. 44, which is the Company's response to OPC POD Request No. 46, Bates-stamped page no. 58612.

The capitalization for the Company's rate base was calculated assuming:

- a. the Company's rate base as calculated above;
- b. that the Company would issue debt as testified to by Witness Gillette, TR 442, i.e., \$125MM in 2010, \$125MM in 2011, \$500MM in 2012, and \$125MM in 2013;
- c. that the amounts of capitalization provided through all other capital components, other than common equity, would remain constant at the Company's 2009 values per MFR D1-a; and
- d. that common equity would make up the difference between (i) rate base and (ii) the total capital from all other sources.

Staff Composite Exh 13  
# 44 OPC POD 46

2008 - 2013 PLANT IN-SERVICE

INDEX	LOCATIONS	Data					
		2008	2009	2010	2011	2012	2013
1	Dinner Lake	-	-	-	-	-	-
2	Bayside/Gannon	-	-	-	-	-	-
3	Gannon Amortized	-	366,250	366,250	366,250	366,250	366,250
4	Big Bend	1,363,349,819	1,429,226,877	1,449,969,028	1,448,066,990	1,459,619,930	1,488,609,628
5	Hookers	-	-	-	-	-	-
6	Misc. Prod.	1,903,284	2,260,712	2,260,712	2,260,712	2,260,712	2,260,712
9	Polk 4	35,016,810	35,016,810	35,016,810	35,016,810	35,016,810	35,016,810
10	Polk 6	34,220,628	34,220,628	34,220,628	34,220,628	34,220,628	34,220,628
11	Polk 8 (CC1) H86	-	-	-	-	-	537,628,900
	Transmission - Interconnect	-	-	-	-	-	23,561,656
	Transmission - NGCC	-	-	-	-	-	72,701,628
	NGCC	-	-	-	-	-	-
12	Amtz Tools 7	4,095,340	3,817,778	3,002,216	2,368,664	1,771,091	1,155,629
13	Phillips	60,414,040	60,680,040	61,153,481	61,436,922	61,715,363	61,993,604
14	Bayside	782,746,302	785,839,424	784,488,194	777,842,965	772,318,736	767,969,507
15	BB CT1	1,764,836	1,764,836	1,764,836	1,764,836	1,764,836	1,764,836
16	BB CT2&3	-	-	-	-	-	-
17	GN CT	-	-	-	-	-	-
18	GN Dismantling	-	-	-	-	-	-
19	Polk	598,023,918	605,073,951	612,473,551	616,696,151	618,414,781	623,136,351
20	COT	6,496,548	6,496,548	6,496,548	6,496,548	6,496,548	6,496,548
21	Bayside 1 CSA	35,430,725	35,430,725	35,430,725	35,430,725	35,430,725	47,343,000
22	Bayside 2 CSA	-	38,236,843	38,236,843	38,236,843	38,236,843	38,236,843
23	Polk 1 CSA	23,470,000	23,470,000	41,370,000	28,108,000	28,108,000	28,108,000
24	Polk 2 CSA	12,443,000	12,443,000	12,443,000	12,443,000	12,443,000	12,443,000
25	Polk 3 CSA	-	-	-	12,074,000	12,074,000	12,074,000
26	Polk 4 CSA	-	-	-	-	-	-
27	Polk 5 CSA	-	-	-	-	-	-
28	BB1 SCR	-	-	97,643,622	97,643,622	97,643,622	97,643,622
29	BB2 SCR	-	95,953,039	95,953,039	95,953,039	95,953,039	95,953,039
30	BB3 SCR	76,780,773	76,780,773	76,780,773	76,780,773	76,780,773	76,780,773
31	BB4 SCR	60,841,734	60,841,734	60,841,734	60,841,734	60,841,734	60,841,734
32	Structures	76,054,265	80,196,699	82,411,633	84,664,767	87,072,700	89,610,634
33	4yr Amtz	20,573,469	25,344,682	25,796,663	26,664,676	27,529,664	31,379,662
34	6yr Amtz	26,376,337	42,117,769	48,190,002	52,796,973	64,664,937	66,296,370
35	Fiber Optic	21,487,720	22,400,947	23,425,947	24,458,947	25,684,947	26,720,947
36	7yr Amtz	32,608,742	32,662,742	29,491,615	26,067,168	22,725,627	19,661,237
37	Vehicles	17,586,466	18,121,466	18,662,671	19,098,151	19,661,407	20,196,190
39	Land	41,722,073	41,722,073	41,722,073	41,722,073	41,722,073	41,722,073
40	Transmission	476,262,777	520,653,667	561,382,692	624,828,373	664,452,472	689,876,443
41	Distribution	1,734,691,493	1,832,621,419	1,934,404,441	2,041,137,318	2,153,330,324	2,261,809,296
42	BAYSIDE 6&8 CT'S	-	100,547,280	100,547,280	100,547,280	100,547,280	100,547,280
43	BAYSIDE 3&4 CT'S	-	93,694,964	93,694,964	93,694,964	93,694,964	93,694,964
44	BIG BEND 4 CT	-	51,671,068	51,671,068	51,671,068	51,671,068	51,671,068
45	Future CT 6	-	-	-	-	58,167,200	58,167,200
46	Future CT 7	-	-	-	-	-	58,167,200
47	Future CT 8	-	-	-	-	-	-
48	Future CT 9	-	-	-	-	-	-
49	Future CT 10	-	-	-	-	-	-
50	Blank Line	-	-	-	-	-	-
51	Blank Line	-	-	-	-	-	-
52	Blank Line	-	-	-	-	-	-
(blank)	ARO	7,133,796	7,133,796	7,133,796	7,133,796	7,133,796	7,133,796
(blank)	(blank)	-	-	-	-	-	-
68	Rail Road	-	46,936,600	46,936,600	46,936,600	46,936,600	46,936,600
Grand Total		6,664,697,666	6,224,041,413	6,627,662,256	6,694,632,346	6,684,934,664	7,612,266,966

TAX PROJECTION:

GENERATION	58%	60%	59%	58%	56%	60%	60%
T&D	42%	40%	41%	42%	42%	40%	40%
TOTAL	100%	100%	100%	100%	100%	100%	100%

Docket No. 080317-EI  
Late Filed Exhibit 123  
Florida Retail Federation  
Page 8 of 8

58612

21