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August 12, 2013

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

Re: Petition for Rate Increase by Tampa Electric Company  
FPSC Docket No. 130040-EI

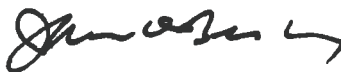
Dear Ms. Cole:

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

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,



James D. Beasley

JDB/pp  
Enclosure

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

COM	_____
AFD	3
APA	3
ECO	4
ENG	_____
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IDM	_____
TEL	_____
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Rate Increase )  
by Tampa Electric Company. )  
\_\_\_\_\_ )

DOCKET NO. 130040-EI

FILED: August 12, 2013

**TAMPA ELECTRIC COMPANY'S  
PREHEARING STATEMENT**

**A. APPEARANCES:**

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

**B. WITNESSES:**

<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
(Direct)		
Gordon L. Gillette	Overview	7,54
Sandra W. Callahan	Capital structure, financial integrity and overall rate of return	20,21,22,23,26,27
Robert B. Hevert	Cost of capital and return on equity	26
Lorraine L. Cifuentes	Customer, energy sales, and Peak demand forecasts	2,3
Eric Fox	Load and sales forecast support	2
Mark J. Hornick	Generation and related construction and O&M budgets	32

J. Brent Caldwell	Fuel inventory	16
S. Beth Young	Energy delivery construction and O&M budgets, reliability service quality and storm hardening	7,31
Brad J. Register	Employee compensation and benefits	37,38,38A,39
Steven P. Harris	Storm costs and reserve study	14,42
Edsel L. Carlson, Jr.	Annual storm cost accrual and storm reserve	14,42
Jeffrey S. Chronister	2014 budget, O&M benchmark and revenue requirement calculation	1,3,4,5,8,9,10,11,12, 13,15,17,18,19,20,21, 22,23,27,28,30,31,32 33,34,35,36,40,41,42 43,44,45,46,47,48,49, 50,51,52,53,54,72,73
William R. Ashburn	Cost of service study and rate Design	4,5,6,28,33,34,35,36, 55,56,57,58,59,60,61, 62,62A,63,64,65,66, 67,68,69,70,71,72,73
<u>Rebuttal</u>		
Sandra W. Callahan	Capital structure, financial integrity and overall rate of return	Previously identified
Robert B. Hevert	Cost of capital and return on equity	Previously identified
Lorraine L. Cifuentes	Customer, energy sales, and Peak demand forecasts	Previously identified
Mark J. Hornick	Generation and related construction and O&M budgets	Previously identified
S. Beth Young	Energy delivery construction and O&M budgets, reliability, service quality and storm hardening	Previously identified

Brad J. Register	Employee compensation and benefits	Previously identified
Terry Deason	CWIP; reconciliation of rate base And capital structure, O&M expense equity ratio, software amortization, incentive compensation, D&O liability insurance	10,37,38,38A,44
Jeffrey S. Chronister	2014 budget, O&M benchmark and revenue requirement calculation	Previously identified
Karen Lewis	Appropriateness of customer service and call center staffing and expense; uncollectible expense customer satisfaction and quality of service	7,41,47
William R. Ashburn	Cost of service study and rate design	Previously identified

**C. EXHIBITS**

<u>Exhibit</u>	<u>Witness</u>	<u>Description</u>
		Composite Notice Exhibit
		Tariff Sheets
	Various	MFR Schedule A – Executive Summary
	Various	MFR Schedule B – Rate Base
	Various	MFR Schedule E – Net Operating Income
	Various	MFR Schedule D – Cost of Capital
	Various	MFR Schedule E – Cost of Service and Rate Design
	Various	MFR Schedule E – Rate Schedules, Jurisdictional Separation Study, Class Cost of Service Studies and Lighting Incremental Cost Study (Volumes I, II and III)

	Various	MFR Schedule F – Miscellaneous (Volumes 1, II, III, IV and V)
SWC-1	Callahan	Composite Exhibit Direct
SWC-2	Callahan	Composite Exhibit Rebuttal
RBH-1	Hevert	Composite Exhibit Direct
RBH-2	Hevert	Composite Exhibit Rebuttal
LLC-1	Cifuentes	Composite Exhibit Direct
LLC-2	Cifuentes	Composite Exhibit Rebuttal
EF-1	Fox	Composite Exhibit Direct
MJH-1	Hornick	Composite Exhibit Direct
MJH-2	Hornick	Composite Exhibit Rebuttal
JBC-1	Caldwell	Composite Exhibit Direct
SBY-1	Young	Composite Exhibit Direct
SBY-2	Young	Composite Exhibit Rebuttal
BJR-1	Register	Composite Exhibit Direct
BJR-2	Register	Composite Exhibit Rebuttal
TD-1	Deason	Composite Exhibit Rebuttal
SPH-1	Harris	Composite Exhibit Direct
ELC-1	Carlson	Composite Exhibit Direct
JSC-1	Chronister	Composite Exhibit Direct
WRA-1	Ashburn	Composite Exhibit Direct
WRA-2	Ashburn	Composite Exhibit Rebuttal

## **D. STATEMENT OF BASIC POSITION**

### **Rate Relief Requested**

After extensive and careful analysis, Tampa Electric is requesting the Commission to approve an increase of \$134.8 million in the company's retail base rates and service charges effective January 1, 2014, based on a 2014 projected test year. This increase will cover the reasonable costs of providing service and allow the company an opportunity to earn a compensatory return on its investment, including a fair return on equity of 11.25 percent within a range of 10.25 to 12.25 percent.

### **Events Since Tampa Electric's Last Base Rate Proceeding**

Tampa Electric's last full revenue requirements proceeding was filed April 11, 2008. The Commission issued its Order No. PSC-09-0283-FOF-EI in Docket No. 080317-EI on April 30, 2009, granting Tampa Electric a rate increase. The company's experiences since that proceeding have been unusual compared to historical trends, and have significantly contributed to Tampa Electric's need to request rate relief in this proceeding.

During the middle of 2009 it became clear that the country was heading into an economic downturn. Now referred to as the "Great Recession", the period 2009 through 2012 was one of slow or negative economic growth and, for electric utilities like Tampa Electric, slower customer growth and lower average customer energy usage. The recessionary period has been unprecedented, with employment remaining well below pre-recession levels some five years later.

From 1992 until Tampa Electric's last rate case in 2008 customer growth was at a steady 2.5 percent and customer usage grew from 1,100 kWh to 1,300 kWh per month, resulting in energy growth of close to three percent. Since the company's last rate case, average customer

usage has declined, and customer growth has been much slower than in the past and slower than projected in the last rate case.

As a consequence, a significant portion of the energy sales Tampa Electric had forecasted in its 2008 base rate proceeding did not materialize. Annual retail energy sales have declined in four of the last five years. The company's forecasted adjusted jurisdictional base revenues for the 2014 test year are \$908 million, a significant reduction from the \$970 million in total base revenues approved by the Commission in 2009.

**Steps Tampa Electric has Taken to Endure the Recession and Forestall a Request for Rate Relief**

Tampa Electric has navigated through these unsettled times through a series of management actions that included controlling capital and O&M expenses, implementing new efficiencies in its operations through organizational changes, benchmarking, continuous efficiency improvement endeavors and the use of improved technology.

The company has managed the challenges of a growing rate base and the significant revenue shortfall by taking significant steps to reduce its weighted average cost of capital from the 8.29 percent approved in the 2008 base rate proceeding to the 6.74 percent proposed in this case. The company has refinanced long term debt at lower rates, taken advantage of bonus depreciation, and availed itself of tax deductions for plant repairs that were previously capitalized. These tax related initiatives have significantly increased the amount of cost-free deferred income taxes in the company's capital structure, providing customers the benefit of a zero-cost source of capital.

Tampa Electric has been able to postpone seeking rate relief by managing employee headcount, developing and implementing operating efficiencies and making temporary reductions in recurring O&M expenses in an effort to deal with revenue shortfalls. These efforts

have enabled the company to keep annual O&M expenses essentially constant since 2007. The company has taken similar steps to manage its capital spending in the most efficient manner possible while continuing to keep its electric system in good working order for the long term, in order to meet the ever increasing environmental, safety and reliability requirements of the electric utility business. Since the company's last base rate proceeding it will have invested approximately \$1.1 billion in new electric plant by 2014 which, net of accumulated depreciation and including working capital, represents an increase in net adjusted jurisdictional rate base of approximately \$770 million by 2014.

In short, over the last four years Tampa Electric has been able to weather the severe economic decline and postpone seeking rate relief by tightening its belt in numerous ways, improving its efficiencies, taking advantage of lower cost debt and tax advantage opportunities, while adding significant plant in service to meet its customers' needs. Given the conditions the company has faced, it is remarkable that it managed to delay its request for new rates until now.

#### **Causes of the Company's Need for Rate Relief**

The economic downturn that resulted in significant revenue shortfalls and Tampa Electric's needed investment in infrastructure in order to provide safe and reliable electric service since the company's last base rate proceeding are the key reasons why the company must request rate relief at this time. While the company has taken numerous actions to help reduce its costs to operate, it has reached a point where its ability to continue providing the level of service its customers expect and deserve is being threatened in the absence of an increase in the company's base rates. The company has suppressed its O&M expenditures at unsustainable levels in an effort to cope with revenues approved in 2009 that did not materialize. Without the requested



rate relief the integrity of Tampa Electric's infrastructure and its ability to continue providing safe, reliable and efficient electric service will be jeopardized.

It is also imperative that Tampa Electric remain a financially solid electric utility with ready access to capital markets in order to continue to fund capital expansion required to meet customers' needs. The requested base rate increase is critical to Tampa Electric's ability to maintain its financial integrity. Without the requested rate relief, the company's projected return on equity will fall to 6.74 percent in 2014, a level that is insufficient to attract capital in order to continue providing safe and reliable electric service. Preserving the company's access to capital markets is of utmost importance at this time, particularly in light of the company's Polk 2-5 Combined Cycle Conversion Project that is underway.

#### **The Company's Proposed Rate Design**

Tampa Electric's proposed rates and service charges are designed to produce the company's requested additional annual revenues of \$134.8 million. The company is proposing several changes to its rate schedules to more accurately reflect the cost of providing service to various customer classes. Cost of service is a major consideration in rate design as well as revenue stability and continuity. Tampa Electric's proposed rates reflect appropriately measured changes from the company's present rates. In designing them, the company has taken into account rate history, public acceptance of rate structures, customer understanding and ease of application, and consumption and load characteristics of the rate classes.

The use of the company's proposed 12 CP and 50 percent AD production capacity allocation methodology in the cost of service study provides an appropriate allocation of costs to the classes of service by Tampa Electric plant and equipment in the service territory. The application of the MDS approach to the company's cost of service methodology is an

improvement in reflecting cost causation for the investment in distribution equipment. The completion of the transition of the IS customer class to the GSD rate in this case is appropriate, and the company's proposal achieves that last transitional step appropriately. Rate design proposals that better reflect the cost of providing service to customers taking service at higher voltages are appropriate because they assure that the rates applicable to these customers reflect the cost of service. Finally, the proposed revenue increase has been apportioned to achieve class parity to the extent practical.

## **E. STATEMENT OF ISSUES AND POSITIONS**

### **TEST PERIOD AND FORECASTING**

**ISSUE 1:** Is Tampa Electric's projected test period of the 12 months ending December 31, 2014 appropriate?

**Tampa Electric:** Yes. The period January 1, 2014 through December 31, 2014 is appropriate for setting rates because it best represents expected future operations. (Chronister)

**ISSUE 2:** Are Tampa Electric's forecasts of customers, kWh and kW by revenue and rate class, for the 2014 projected test year appropriate?

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

**ISSUE 3:** What are the appropriate inflation factors for use in forecasting the test year budget?

**Tampa Electric:** The appropriate inflation factors for use in forecasting the 2014 test year budget are a CPI-U factor of 240.7 and a CPI-U annual percentage increase of 2.7%. (Cifuentes, Chronister)

**ISSUE 4:** How should the Calpine contract renewal be treated for ratemaking purposes?

**Tampa Electric:** Tampa Electric believes Issue 4 should be reworded as follows:

**ISSUE 4:** How should updated information regarding Calpine's contract renewal be treated in the Jurisdictional Separation Study?

Tampa Electric's position on Issue 4, as reworded, is as follows:

At the time of the company's filing, no cost for Calpine's transmission service was allocated to the wholesale jurisdiction in the test period since it was unknown if the contract would be extended. Subsequently, Calpine made a commitment to extend its firm transmission service contract of 525 MW to a reduced amount of 249 MW effective after May 31, 2014. The Jurisdictional Separation Study should now be adjusted to recognize 249 MW of transmission service cost and associated revenue allocated to the wholesale jurisdiction in the test period. In addition, the company agrees to credit the company's fuel clause with an amount of revenue realized from Calpine as it relates to the period January 2, 2014 through May 31, 2014, that exceeds the billing for 249 MW (i.e., 526 MW less 249 MW). (Ashburn, Chronister)

**ISSUE 5:** Should revenues be adjusted for the renewal of the Calpine contract?

**Tampa Electric:** Tampa Electric believes that the above wording of Issue 5 should be deleted, as it is subsumed in Issue 4 under Tampa Electric's proposed rewording of Issue 4. In its place, Tampa Electric urges that Issue 5 be reworded as follows and, accordingly, that Issue 29 be deleted:

**ISSUE 5:** How should updated information regarding Auburndale Power Partner's (APP) contract renewal be treated in the Jurisdictional Separation Study?

**Tampa Electric:** At the time of the company's filing, no cost for APP's transmission service was allocated to the wholesale jurisdiction in the test period since it was unknown if the contract would be extended. Subsequently, there has been no updated information that APP will extend their contract beyond its termination date of December 31, 2013. Therefore, no adjustment should be made for allocating any transmission cost associated with APP to the wholesale jurisdiction in the test period. In the event APP does extend their contract into the test period, the company agrees to credit the company's fuel clause with transmission service revenues realized from APP. (Ashburn, Chronister)

**ISSUE 6:** Is the proposed Jurisdictional Separation Study appropriate?

**Tampa Electric:** Yes. The 2014 Jurisdictional Separation Study provided by Tampa Electric in this proceeding is appropriate. Tampa Electric provided a Jurisdictional Separation Study in its last base rate proceeding that was approved by the Commission. That methodology has been used to

produce separation factors for the annual projected surveillance reports..  
(Ashburn)

### QUALITY OF SERVICE

**ISSUE 7:** Is the quality of electric service provided by Tampa Electric adequate?

**Tampa Electric:** Yes. Tampa Electric has delivered safe, adequate and reliable transmission and distribution service to its customers. The company has the second lowest SAIDI interruption time of the investor-owned utilities in Florida and has achieved top quartile reliability results when compared to other southeastern utilities. (Gillette, Young, Lewis)

### RATE BASE

**ISSUE 8:** Has the company removed all non-utility activities from rate base?

**Tampa Electric:** Yes, the company has removed all non-utility activities from rate base. (Chronister)

**ISSUE 9:** Is Tampa Electric's requested level of Plant in Service in the amount of \$6,506,194,000 (\$6,516,443,000 system) for the 2014 projected test year appropriate? (FALLOUT)

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

**ISSUE 10:** Should Tampa Electric's amortization periods for computer software and ERP system be changed, and if so, what are the resulting impacts on rate base, expense, and amortization rates?

**Tampa Electric:** No. The company's proposal to continue a five year amortization period for the majority of its investment in software systems and its request for a ten year amortization for its newly installed enterprise resource planning ("ERP") software system should be approved. (Chronister, Deason)

**ISSUE 11:** Is Tampa Electric's requested level of accumulated depreciation in the amount of \$2,436,895,000 (\$2,439,935,000 system) for the 2014 projected test year appropriate? (FALLOUT)

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

**ISSUE 12:** Is Tampa Electric's requested level of Construction Work in Progress in the amount of \$174,146,000 (\$174,529,000 system) for the 2014 projected test year appropriate? (FALLOUT)

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

**ISSUE 13:** Is Tampa Electric's requested level of Property Held for Future Use in the amount of \$35,409,000 (\$35,859,000 system) for the 2104 projected test year appropriate?

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

**ISSUE 14:** Should an adjustment be made to Tampa Electric's requested storm damage reserve, annual accrual, and target level?

**Tampa Electric:** The target level for Tampa Electric's storm damage reserve should be increased to \$100 million. The proposed increase in the storm damage reserve target level is reasonable and should be approved. Although an increase in the company's annual accrual is justified, Tampa Electric has not requested such an increase. The \$8 million annual accrual approved in the company's last base rate proceeding should continue at that level. (Harris, Carlson)

**ISSUE 15:** Should an adjustment be made to rate base for unfunded Other Post-retirement Employee Benefit (OPEB) liability and any associated expense?

**Tampa Electric:** No. The company's requested OPEB liability and expense have been properly calculated and are appropriate. (Chronister)

**ISSUE 16:** Should any adjustment be made to Tampa Electric's fuel inventories?

**Tampa Electric:** No. Tampa Electric's proposed fuel inventories are appropriate to enable the company to avoid fuel shortages and are consistent with the inventory levels approved in the company's last base rate proceeding. (Caldwell)

**ISSUE 17:** Has Tampa Electric properly reflected the net over recoveries or net under recoveries of fuel and conservation expenses in its calculation of working capital?

**Tampa Electric:** Yes. Tampa Electric has properly reflected the net over recoveries or net under recoveries of fuel and conservation expenses in its calculation of working capital. (Chronister)

**ISSUE 18:** Is Tampa Electric's requested level of Working Capital in the amount of \$61,118,000 (\$61,053,000 system) for the 2014 projected test year appropriate? (FALLOUT)

**Tampa Electric:** Yes. Tampa Electric's requested level of Working Capital has been properly calculated and is appropriate. (Chronister)

**ISSUE 19:** Is Tampa Electric's requested rate base in the amount of \$4,339,972,000 (\$4,347,949,000 system) for the 2014 projected test year appropriate? (FALLOUT)

**Tampa Electric:** Yes. The company's requested rate base has been properly calculated and is appropriate. (Chronister)

### **COST OF CAPITAL**

**ISSUE 20:** What is the appropriate amount of accumulated deferred taxes to include in the capital structure?

**Tampa Electric:** The appropriate amount of accumulated deferred taxes to be included in the capital structure for 2014 is \$835,173,000 as shown on MFR Schedule D-1a. (Callahan, Chronister)

**ISSUE 21:** What is the appropriate amount and cost rate of the unamortized investment tax credits to include in the capital structure?

**Tampa Electric:** The appropriate amount and cost rate of the unamortized investment tax credits to include in the capital structure for 2014 is \$7,999,000 and 8.54 percent, respectively, as shown on MFR Schedule D1-a. (Callahan, Chronister)

**ISSUE 22:** What is the appropriate cost rate for short-term debt for the 2014 projected test year?

**Tampa Electric:** The appropriate amount and cost rate for short-term debt for 2014 are \$24,646,000 and 1.47 percent, respectively, as shown on MFR Schedule D-1a. (Callahan, Chronister)

**ISSUE 23:** What is the appropriate cost rate for long-term debt for the 2014 projected test year?

**Tampa Electric:** The appropriate amount and cost rate for long-term debt for the 2014 projected test year are \$1,525,392,000 and 5.40 percent, respectively, as shown on MFR Schedule D-1a. (Callahan, Chronister)

**ISSUE 24:** What is the appropriate capital structure for the 2014 projected test year?

**Tampa Electric:** The appropriate capital structure for 2014 is the company's proposed capital structure as shown on MFR Schedule D-1a. (Callahan, Chronister)

**ISSUE 25:** Should the Commission approve Tampa Electric's request to reflect flotation costs in the allowed ROE? (HUA CONTESTED ISSUE)

**Tampa Electric:** Tampa Electric does not believe that this should be an issue in this proceeding as it is but one component of many components responsive to the issue of what should be the company's authorized return on equity. The appropriate return on equity is addressed by Tampa Electric witness Hevert under Issue 26.

**ISSUE 26:** What is the appropriate ROE to use in establishing TECO's revenue requirement?

**Tampa Electric:** The appropriate return on common equity for the 2014 projected test year is 11.25 percent with a range of 10.25 percent to 12.25 percent. (Hevert, Callahan)

**ISSUE 27:** What is the appropriate weighted average cost of capital including the proper components, amounts and cost rates associated with the capital structure? (FALLOUT)

**Tampa Electric:** The appropriate weighted average cost of capital for the 2014 projected test year is 6.74 percent. (Callahan, Chronister)

### NET OPERATING INCOME

**ISSUE 28:** Has Tampa Electric correctly calculated the revenues at current rates for the projected test year?

**Tampa Electric:** Yes. Tampa Electric has correctly calculated the revenues at current rates for the projected test year. (Ashburn, Chronister)

**ISSUE 29:** Should revenues be adjusted for the extension of the Auburndale agreement?

**Tampa Electric:** Tampa Electric believes this issue should be deleted as unnecessary, in light of Tampa Electric's proposed rewording of Issue 5.

**ISSUE 30:** Is Tampa Electric's projected level of Total Operating Revenues in the amount of \$950,663,000 (\$951,811,000 system) for the 2014 projected test year appropriate? (FALLOUT)

**Tampa Electric:** Yes. Tampa Electric has properly forecasted this amount for Total Operating Revenues and it is appropriate for the 2014 projected test year. (Chronister)

**ISSUE 31:** Should any adjustments be made to Tampa Electric's requested vegetation maintenance expense?

**Tampa Electric:** No. Tampa Electric's requested level of vegetation management expense is appropriate and should be approved. (Young, Chronister)

**ISSUE 32:** Should any adjustments be made to Tampa Electric's requested level of generation maintenance expense?

**Tampa Electric:** No. Tampa Electric's requested level of generation maintenance expense is appropriate and should be approved. (Hornick, Chronister)

**ISSUE 33:** Has Tampa Electric made the appropriate test year adjustment to remove fuel revenues and fuel expenses recoverable through the Fuel Adjustment Clause?

**Tampa Electric:** Yes. (Chronister, Ashburn)

**ISSUE 34:** Has Tampa Electric made the appropriate test year adjustments to remove conservation revenues and conservation expenses recoverable through the Conservation Cost Recovery Clause?

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

**ISSUE 35:** Has Tampa Electric made the appropriate test year adjustments to remove capacity revenues and capacity expenses recoverable through the Capacity Cost Recovery Clause?

**Tampa Electric:** Yes. Tampa Electric has made the appropriate test year adjustment to remove capacity revenues and capacity expenses recoverable through the Capacity Cost Recovery Clause. (Chronister, Ashburn)

**ISSUE 36:** Has Tampa Electric made the appropriate test year adjustments to remove environmental revenues and environmental expenses recoverable through the Environmental Cost Recovery Clause?

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

**ISSUE 37:** Should any adjustment be made to incentive compensation?

**Tampa Electric:** No. Tampa Electric's incentive compensation programs are an integral part of the company's overall compensation plan and represent reasonable



and necessary costs to attract and retain the workforce needed to efficiently and reliably run the company. (Register, Deason)

**ISSUE 38:** Should an adjustment be made to Tampa Electric's requested level of Salaries and Employee Benefits for the 2014 projected test year?

**Tampa Electric:** No. Tampa Electric's requested level of Salaries and Employee Benefits for the 2014 projected test year is appropriate and necessary to acquire and retain a qualified workforce. Tampa Electric's level of Salaries and Employee Benefits is at or near the medium of employee compensation paid by other regulated utilities. (Register, Deason)

**ISSUE 38A:** Should an adjustment be made to Tampa Electric's requested level of stock compensation for the 2014 projected test year?

**Tampa Electric:** No. The requested level is appropriate and should be approved. (Register, Deason)

**ISSUE 39:** Should an adjustment be made to Pension Expense associated with the Supplemental Executive Retirement Plan for the 2014 projected test year?

**Tampa Electric:** No. The Supplemental Executive Retirement Plan is an integral part of the total compensation and benefits expense needed to insure that the company's participating executives are compensated in a manner and at a level consistent with the market. No adjustment should be made. (Register)

**ISSUE 40:** Should adjustment be made for the net operating income effects of allocated costs and charges with affiliated companies for Tampa Electric?

**Tampa Electric:** No. The acquisition of NMGC is still pending and uncertain. Therefore, it would not be appropriate for the company to make any adjustment to parent allocation due to the timing and uncertainty of this acquisition. (Chronister)

**ISSUE 41:** Are Tampa Electric's Call Center expenses just and reasonable? (Adopted at 8-1-13 conference)

**Tampa Electric:** Yes. The company's 2014 test year call center expenses and staffing level are just and reasonable and should be approved. (Lewis, Chronister)

**ISSUE 42:** Should an adjustment be made to the accrual for storm damage for the 2014 projected test year?

**Tampa Electric:** No. Although an increase in the annual accrual is indicated, Tampa Electric proposes to maintain its existing annual accrual of \$8 million. (Carlson, Harris, Chronister)

**ISSUE 43:** Should an adjustment be made to the accrual for the Injuries & Damages reserve for the 2014 projected test year?

**Tampa Electric:** No. Tampa Electric has properly calculated its accrual for the Injuries & Damages reserve and the level of accrual is appropriate. (Chronister)

**ISSUE 44:** Should any adjustment be made to Directors and Officers Liability Insurance?

**Tampa Electric:** No. Directors and Officers Liability Insurance has been properly forecasted for the 2014 projected test year, represents a reasonable cost of doing business and should be fully recovered without any adjustment. (Chronister, Deason)

**ISSUE 45:** Should any adjustments be made to Outside Services – Legal Expense?

**Tampa Electric:** No. Outside Services – Legal Expense has been properly forecasted for the 2014 test year, is a legitimate cost of doing business and should be fully recovered without adjustment. (Chronister)

**ISSUE 46:** What is the appropriate amount and amortization period for Tampa Electric's rate case expense for the 2014 projected test year?

**Tampa Electric:** The appropriate amount for a rate case expense is \$2,200,000 and it should be amortized over a three-year period beginning in 2014. (Chronister)

**ISSUE 47:** Should an adjustment be made to Bad Debt Expense for the 2014 projected test year?

**Tampa Electric:** No. The company's test year level of Bad Debt Expense has been properly calculated, is appropriate and should be approved. (Lewis, Chronister)

**ISSUE 48:** Is Tampa Electric's requested level of O&M Expense in the amount of \$363,832,000 (\$364,130,000 system) for the 2014 projected test year appropriate? (FALLOUT)

**Tampa Electric:** Yes. Tampa Electric has properly forecasted this amount of O&M Expense and it is appropriate for the 2014 projected test year. (Chronister)

**ISSUE 49:** What is the appropriate amount of depreciation and fossil dismantlement expense?

**Tampa Electric:** The appropriate amount of depreciation and fossil dismantlement expense for the 2014 projected test year is \$233,881,000 (\$234,178,000 system). (Chronister)

**ISSUE 50:** Should an adjustment be made to Taxes Other Than Income Taxes for the 2014 projected test year? (FALLOUT)

**Tampa Electric:** No. The appropriate amount is \$65,789,000 (\$65,885,000 system). (Chronister)

**ISSUE 51:** Should an adjustment be made to Income Tax expense for the 2014 projected test year? (FALLOUT)

**Tampa Electric:** No. The appropriate amount is \$77,391,000 (\$77,506,000 system). (Chronister)

**ISSUE 52:** Is Tampa Electric's projected Net Operating Income in the amount of \$209,901,000 (\$210,244,000 system) for the 2014 projected test year appropriate? (FALLOUT)

**Tampa Electric:** Yes. Tampa Electric's projected Net Operating Income for the 2014 projected test year is appropriate. (Chronister)

### **REVENUE REQUIREMENTS**

**ISSUE 53:** What are the appropriate revenue expansion factor and the appropriate net operating income multiplier, including the appropriate elements and rates, for Tampa Electric?

**Tampa Electric:** The appropriate revenue expansion factor for the 2014 projected test year is 0.61267 and the appropriate net operating income multiplier for the 2014 projected test year is 1.63220, as shown on MFR Schedule C-44. (Chronister)

**ISSUE 54:** Is Tampa Electric's requested annual operating revenue increase of \$134,841,000 for the 2014 projected test year appropriate? (FALLOUT)

**Tampa Electric:** Yes. Tampa Electric's requested annual operating revenue increase for the 2014 projected test year is appropriate. (Chronister, Gillette)

### **COST OF SERVICE AND RATES**

**ISSUE 55:** Should Tampa Electric's proposed Minimum Distribution System ("MDS") costing method be approved?

**Tampa Electric:** Yes. The MDS method is described in the NARUC Cost Allocation Manual and was accepted by the Commission in the settlement of rate and cost of service matters in Gulf Power Company's 2011 base rate proceeding. This method appropriately and equitably assigns connection related costs to each customer class. (Ashburn)

**ISSUE 56:** What is the appropriate Cost of Service Methodology to be used to allocate production costs to the rate classes?

**Tampa Electric:** The appropriate retail Cost of Service Methodology is the 12 Coincident peak and 50 Percent Average Demand ("12 CP and 50 Percent AD"). This methodology provides an appropriate classification and allocation of production plant to rate classes reflecting how power plants are planned and operated. (Ashburn)

The use of 50 Percent AD rather than the 1/13th (or about 8 percent) 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 50 Percent AD provides a balance between the inadequate 1/13th (8 percent) method and the too high Equivalent Peaker method (over 70 percent).

**ISSUE 57:** What is the appropriate Cost of Service Methodology to be used to allocate transmission costs to the rate classes?

**Tampa Electric:** The appropriate Cost of Service Methodology to be used to allocate transmission costs to the rate classes is the 12 coincident peak (12 CP) methodology. (Ashburn)

**ISSUE 58:** How should any change in the revenue requirement approved by the Commission be allocated among the customer classes?

**Tampa Electric:** The appropriate allocation of any change, after recognizing any additional revenues realized in other operating revenues, should track, to the extent practicable, each class's revenue deficiency as determined from Tampa Electric's proposed 12 CP and 50 Percent AD cost of service study. (Ashburn)

**ISSUE 59:** What is the appropriate treatment of the IS schedules?

**Tampa Electric:** The closed interruptible rate schedules IS should be eliminated and existing customers on those rate schedules should be transferred to the appropriate GSD rate schedule and continue to participate in the company's GSLM-2 or GSLM-3 riders. (Ashburn)

**ISSUE 60:** Should Tampa Electric's proposal to reinstitute the Commercial/Industrial Service Rider (CISR) tariff be approved?

**Tampa Electric:** Yes. The CISR tariff serves as an economic development mechanism used to attract new load or retain existing commercial or industrial load. Reinstating the CISR will provide a tool to attract or retain commercial or industrial load for the benefit of all of the company's customers. (Ashburn)

**ISSUE 61:** Should the "Transformer Ownership Discount" be renamed the "Delivery Voltage Credit" and should the credits provided reflect full avoided distribution costs?

**Tampa Electric:** Yes. The proposed name better reflects the billing adjustment proposed which is to reflect full avoided distribution costs. (Ashburn)

**ISSUE 62:** What are the appropriate service charges (normal reconnect, same day reconnect, reconnect at meter/pole, field visit, tampering charge, temporary service charge)?

**Tampa Electric:** The appropriate service charges are listed below.

Normal Reconnect Subsequent Subscriber	\$ 28.00
Same Day Reconnect	\$ 75.00
Reconnect after Disconnect at Meter for Cause	\$ 55.00
Reconnect after Disconnect at Pole for Cause	\$ 165.00
Field Visit	\$ 25.00
Tampering Charge without Investigation	\$ 55.00
Temporary Service Charge	\$ 260.00

The application of the field visit charge should be expanded to situations involving customer failure to keep customer-scheduled appointments and customer failure to have the premises in a state of readiness when the company arrives to do work requested by the customer. (Ashburn)

**ISSUE 62A<sup>1</sup>:** What are the appropriate transformer ownership credits?

**Tampa Electric:** The transformer ownership credits should be renamed to Delivery Voltage Adjustments. The appropriate Delivery Voltage Credits are listed below.

GSD/ GSDT Standard Primary	0.80 \$/kW
GSD/GSDT Standard Subtransmission	2.50 \$/kW
GSDGST Optional Primary	2.13 \$/MWh
GSD Optional Subtransmission	6.53 \$/MWh
GSDT Primary	0.80 \$/kW

<sup>1</sup> Note: This issue was inadvertently omitted in the compilation of the issue list and should be included as an issue. It is numbered Issue 62A in this prehearing statement so as to retain Staff's numbering of the issues that follow it.

GSDT Subtransmission	2.50 \$/kW
SBF Supplemental Primary	0.80 \$/kW
SBF Supplemental Subtransmission	2.50 \$/kW
SBF Standby Primary	0.67 \$/kW
SBF Standby Subtransmission	2.08 \$/kW
SBFT Supplemental Primary	0.80 \$/kW
SBFT Supplemental Subtransmission	2.50 \$/kW
SBFT Standby Primary	0.67 \$/kW
SBFT Standby Subtransmission	2.08 \$/kW

(Ashburn)

**ISSUE 63:** What is the appropriate emergency relay power supply charge?

**Tampa Electric:** The appropriate emergency relay service charges are listed below

GS	0.170 ¢/kWh
GSD Standard (all delivery voltages)	0.66 \$/kW
GSD Optional (all delivery voltages)	0.66 \$/kW
GSD Time-of-Day Billing (all delivery voltages)	0.66 \$/kW
SBF Supplemental (all delivery voltages)	0.66 \$/kW
SBF Standby (all delivery voltages)	0.66 \$/kW
SBFT Supplemental (all delivery voltages)	0.66 \$/kW
SBFT Standby (all delivery voltages)	0.66 \$/kW

(Ashburn)

**ISSUE 64:** 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?

**Tampa Electric:** 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 \$94.00 for the GST rate schedule and \$0 for the GSDT rate schedule. (Ashburn)

**ISSUE 65:** What changes in allocation and rate design should be made to Tampa Electric's rates established in Docket Nos. 130001-EI, 130002-EG, and 130007-EI to recognize the decisions in various cost of service rate design issues in this docket?

**Tampa Electric:** The changes proposed by Tampa Electric regarding cost of service allocation and rate design should be made to Tampa Electric's rates established in the identified dockets to recognize decisions in this docket. 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. (Ashburn)

**ISSUE 66:** What are the appropriate monthly rental factors and termination factors to be approved for the Facilities Rental Agreement, Appendix A?

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

Monthly Rental Factor	1.19 %
Termination Factors:	
Year 1	3.9%
Year 2	7.5%
Year 3	10.8%
Year 4	13.8%
Year 5	16.4%
Year 6	18.7%
Year 7	20.6%
Year 8	22.1%
Year 9	23.3%
Year 10	24.0%
Year 11	24.3%
Year 12	24.1%
Year 13	23.4%
Year 14	22.1%
Year 15	20.2%
Year 16	17.7%
Year 17	14.5%
Year 18	10.5%
Year 19	5.7%
Year 20	0.0%

(Ashburn)

**ISSUE 67:** What are the appropriate customer charges and should "customer charge" be renamed "basic service charge"?

**Tampa Electric:** "Customer charge" should be renamed "basic service charge", and the appropriate basic service charges are as follows:

RS Standard	15.00 \$/bill
RSVP	15.00 \$/bill

GS Standard	18.00 \$/bill
GS Standard – Unmetered	15.00 \$/bill
GS Time-of-Day	20.00 \$/bill
TS Standard	18.00 \$/bill
Metered Lighting	15.00 \$/bill
GSD Standard Secondary	30.00 \$/bill
GSD Standard Primary	130.00 \$/bill
GSD Subtransmission	990.00 \$/bill
GSD Optional Secondary	30.00 \$/bill
GSD Optional Primary	130.00 \$/bill
GSD Optional Subtransmission	990.00 \$/bill
GSD Time-of-Day Secondary	30.00 \$/bill
GSD Time-of-Day Primary	130.00 \$/bill
GSD Time-of-Day Subtransmission	990.00 \$/bill
SBF Standard Secondary	55.00 \$/bill
SBF Standard Primary	155.00 \$/bill
SBF Standard Subtransmission	1,015.00 \$/bill
SBF Time-of-Day Secondary	55.00 \$/bill
SBF Time-of-Day Primary	155.00 \$/bill
SBF Time-of-Day Subtransmission	1,015.00 \$/bill

(Ashburn)

**ISSUE 68:** What are the appropriate demand charges?

**Tampa Electric:** The appropriate demand charges are listed below.

GSD/GSD Optional/GSDT (all delivery voltages)	
GSD Standard	9.50 \$/kW
GSD Optional	N/A
GSDT Billing	3.23 \$/kW
GSDT Peak	6.27 \$/kW
SBF/SBFT Supplemental (all delivery voltages)	
SBF Standard	9.50 \$/kW
SBFT Billing	3.23 \$/kW
SBFT Peak	6.27 \$/kW

(Ashburn)

**ISSUE 69:** What are the appropriate energy charges?

**Tampa Electric:** The appropriate energy charges are listed below.

RS Standard First 1,000 kWh	5.078 ¢/kWh
RS Standard All Additional kWh	6.078 ¢/kWh



RSVP All Periods	5.390 ¢/kWh
GS Standard	5.390 ¢/kWh
GST On-Peak	14.384 ¢/kWh
GST Off-Peak	0.960 ¢/kWh
TS Standard	5.390 ¢/kWh
Lighting	3.243 ¢/kWh
GSD Standard	1.829 ¢/kWh
GSD Optional	6.468 ¢/kWh
GSDT On-Peak	3.999 ¢/kWh
GSDT Off-Peak	0.960 ¢/kWh
SBF Supplemental Energy Standard	1.829 ¢/kWh
SBFT Supplemental Energy, On-Peak	3.999 ¢/kWh
SBFT Supplemental Energy, Off-Peak	0.960 ¢/kWh

(Ashburn)

**ISSUE 70:** What are the appropriate lighting charges?

**Tampa Electric:** The lighting schedule and associated charges, terms and conditions as proposed by Tampa Electric should be approved. Tampa Electric proposes to increase the lighting energy rate and to maintain the existing lighting facilities and maintenance rates. (Ashburn)

**ISSUE 71:** What are the appropriate Standby Charges?

**Tampa Electric:** Standby Service charges are designed in accordance with the Commission's prescribed methodology. The appropriate Standby Service charges are listed below.

<b>SBF/SBFT Standby Charges (all delivery voltages)</b>	
SBF Local Facilities Reservation plus greater of	2.08 \$/kW
SBF Power Supply Reservation	1.64 \$kW-Mo.
SBF Power Supply Demand	0.65 \$/kW-Day
SBF Standby Energy	0.960 ¢/kWh
SBFT Local Facilities Reservation plus greater of	2.08 \$/kW
SBFT Power Supply Reservation	1.64 \$/kW-Mo
SBFT Power Supply Demand	0.65 \$kW-Day
SBFT Standby Energy	0.960 ¢/kWh

(Ashburn)

### **OTHER**

**ISSUE 72:** What is the appropriate effective date for Tampa Electric's revised rates and charges?

**Tampa Electric:** The appropriate effective date for the rates and charges established in this proceeding is the date of the meter readings for the first billing cycle of January 2014. (Ashburn, Chronister)

**ISSUE 73:** Should Tampa Electric 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?

**Tampa Electric:** Yes. (Ashburn, Chronister)

**ISSUE 74:** Should this docket be closed?

**Tampa Electric:** Yes.

**F. STIPULATED ISSUES**

**Tampa Electric:** None at this time.

**G. MOTIONS**

**Tampa Electric:** None at this time.

**H. PENDING REQUESTS OR CLAIMS FOR CONFIDENTIALITY**

**Tampa Electric:** Tampa Electric has pending a number of requests for confidential treatment information as follows:

<u>Document No.</u>	<u>Date</u>	<u>Description</u>
02520-13	5/6/13	Bates stamp pgs. 19, 17, and 32-49 of answers to OPC's 1st set of interrogatories
02522-13	5/6/13	Bates stamp pgs 1660-1685, 5816, 5835, 5847, 5873-5874, 7633-7668, 7674-7774, and 7776-7797 of response to OPC's 1st request for PODs
02537-13	5/7/13	Portions of answers to OPC's 1st set of interrogatories (Nos. 1-15) and 1st request for PODs (Nos. 1-12), specifically Bates stamp pgs 19 and 27 of interrogatory Nos. 7 and 11, and Bates stamp pages 5816, 5835, and 5847 of POD No. 3; confidentiality provided on CD only

03035-13	6/3/13	Revised response to OPC's 1st request for PODs (No. 3)
03856-13	7/8/13	Bates stamp pg 5873 of response to OPC's 1st request for PODs (No. 3), marked "second revised: July 8, 2013"

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

**Tampa Electric:** None at this time.

**J. OTHER MATTERS**

**Tampa Electric:** None at this time.

DATED this 12<sup>th</sup> day of August 2013.

Respectfully submitted,



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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 furnished by electronic mail\*, overnight delivery\*\*, hand delivery\*\*\* or U. S. Mail\*\*\*\* on this 12<sup>th</sup> day of August 2013 to the following:

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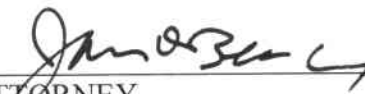
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