

FLORIDA PUBLIC SERVICE COMMISSION

COMMISSION CONFERENCE AGENDA

CONFERENCE DATE AND TIME: Tuesday, March 17, 2009, 9:30 a.m.

LOCATION: Betty Easley Conference Center, Joseph P. Cresse Hearing Room 148

DATE ISSUED: March 6, 2009

NOTICE

Persons affected by Commission action on certain items on this agenda may be allowed to address the Commission, either informally or by oral argument, when those items are taken up for discussion at this conference. These items are designated by double asterisks (**) next to the agenda item number.

To participate informally, affected persons need only appear at the agenda conference and request the opportunity to address the Commission on an item listed on agenda. Informal participation is not permitted: (1) on dispositive motions and motions for reconsideration; (2) when a recommended order is taken up by the Commission; (3) in a rulemaking proceeding after the record has been closed; or (4) when the Commission considers a post-hearing recommendation on the merits of a case after the close of the record. The Commission allows informal participation at its discretion in certain types of cases (such as declaratory statements and interim rate orders) in which an order is issued based on a given set of facts without hearing.

See Rule 25-22.0021, F.A.C., concerning Agenda Conference participation and Rule 25-22.0022, F.A.C., concerning oral argument.

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ITEM NO. **CASE**

1** **Consent Agenda**

PAA A) Applications for certificates to provide competitive local exchange telecommunications service.

<u>DOCKET NO.</u>	<u>COMPANY NAME</u>
080725-TX	CenturyTel Fiber Company II, LLC d/b/a LightCore, a CenturyTel Company
090069-TX	TelOps International, Inc. d/b/a AmTel
090089-TX	Callis Communications, Inc.

PAA B) Request for cancellation of a competitive local exchange telecommunications certificate.

<u>DOCKET NO.</u>	<u>COMPANY NAME</u>	<u>EFFECTIVE DATE</u>
080707-TP	Pilgrim Telephone, Inc.	12/11/2008

Recommendation: The Commission should approve the action requested in the dockets referenced above and close these dockets.

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2**PAA

Docket No. 080733-TP – Joint petition of MCImetro Access Transmission Services LLC d/b/a Verizon Access Transmission Services; MCI Communications Services, Inc. d/b/a Verizon Business Services; TTI National Inc.; Teleconnect Long Distance Services & Systems Co. d/b/a Telecom*USA; Verizon Florida LLC; and Bell Atlantic Communications, Inc. d/b/a Verizon Long Distance for waiver of Rule 25-4.118, F.A.C., due to potential transfer of certain customers from MCI to Verizon as a result of MCI's discontinuation of service to presubscribed residential and small business customers in Verizon's service territory

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Argenziano

Staff: RCP: Watts
GCL: Morrow

Issue 1: Should the Commission approve the request for waiver of the carrier selection requirements of Rule 25-4.118, F.A.C., due to the transfer of MCImetro Access Transmission Services LLC d/b/a Verizon Access Transmission Services', MCI Communications Services, Inc. d/b/a Verizon Business Services', TTI National Inc.'s, and Teleconnect Long Distance Services & Systems Co. d/b/a Telecom*USA's local and long distance customers to Verizon Florida LLC and Bell Atlantic Communications, Inc. d/b/a Verizon Long Distance?

Recommendation: Yes, the Commission should approve the request for waiver of the carrier selection requirements of Rule 25-4.118, F.A.C. Any waiver approved by the Commission should only apply to the specific set of customers identified in the petition. The petitioners should be required to provide the Commission notification of the completion date when all of the transfers have been consummated. If for any reason the transfers are not consummated, any waiver approved by the Commission shall be null and void.

Issue 2: Should this docket be closed?

Recommendation: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, this docket should be closed upon the issuance of a consummating order.

ITEM NO.

CASE

3**PAA

Docket No. 080653-TX – Request for cancellation of CLEC Certificate No. 6040 by Reliant Communications, Inc., effective October 27, 2008.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Administrative

Staff: RCP: Isler

GCL: Morrow

Issue 1: Should the Commission vacate Order No. PSC-09-0020-PAA-TX, issued on January 6, 2009, and grant the company a voluntary cancellation?

Recommendation: Yes, Order No. PSC-09-0020-PAA-TX should be vacated and the company should be granted a voluntary cancellation.

Issue 2: Should this docket be closed?

Recommendation: Staff recommends that the Order issued from this recommendation will become final and effective upon issuance of a Consummating Order, unless a person whose substantial interests are affected by the Commission's decision files a protest that identifies with specificity the issues in dispute, in the form provided by Rule 28-106.201, Florida Administrative Code, within 21 days of the issuance of the Proposed Agency Action Order. As provided by Section 120.80(13)(b), Florida Statutes, any issues not in dispute should be deemed stipulated. If the company fails to timely file a protest and to request a Section 120.57, Florida Statutes, hearing, the facts should be deemed admitted and the right to a hearing waived. If the company's CLEC certificate is cancelled in accordance with the Commission's Order from this recommendation, the company should be required to immediately cease and desist providing telecommunications service in Florida. If there is no protest, this docket should be closed upon issuance of the Consummating Order.

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CASE

4**PAA

Docket No. 090010-TI – Acknowledgment of cancellation of IXC Registration No. TK166 by Onchannel Communications, Corp., effective December 31, 2008.

Docket No. 090025-TI – Acknowledgment of cancellation of IXC Registration No. TJ965 by Business Productivity Solutions a Minnesota Corporation, Inc., effective December 31, 2008.

Docket No. 090030-TI – Acknowledgment of cancellation of IXC Registration No. TJ513 by Global Dialtone, Inc., effective December 31, 2008.

Docket No. 090051-TI – Acknowledgment of cancellation of IXC Registration No. TJ358 by TeleManagement Systems, Inc., effective December 31, 2008.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Administrative

Staff: RCP: Isler

GCL: McKay

Issue 1: Should the Commission deny Onchannel Communications, Corp., Business Productivity Solutions a Minnesota Corporation, Inc., Global Dialtone, Inc., and TeleManagement Systems, Inc. a voluntary cancellation of their respective intrastate interexchange telecommunications carrier (IXC) tariffs and Registration Nos. TK166, TJ965, TJ513, and TJ358, respectively, and cancel the tariffs and remove each entity's respective name from the register on the Commission's own motion with an effective date of December 31, 2008?

Recommendation: Yes, each entity should be denied a voluntary cancellation as listed on Attachment A of staff's memorandum dated March 5, 2009.

Issue 2: Should these dockets be closed?

Recommendation: Staff recommends that the Order issued from this recommendation will become final and effective upon issuance of a Consummating Order, unless a person whose substantial interests are affected by the Commission's decision files a protest that identifies with specificity the issues in dispute, in the form provided by Rule 28-106.201, Florida Administrative Code, within 21 days of the issuance of the Proposed Agency Action Order. As provided by Section 120.80(13)(b), Florida Statutes, any issues not in dispute should be deemed stipulated. If any entity fails to timely file a protest and to request a Section 120.57, Florida Statutes, hearing, the facts should be deemed admitted and the right to a hearing waived. If an entity pays the Regulatory Assessment Fees, including any accrued late payment charges, prior to the expiration of the Proposed Agency Action Order, then the cancellation of that entity's tariff and the removal of its name from the register will be voluntary. If an entity fails to pay the Regulatory Assessment Fees, including any accrued late payment charges, prior to the expiration of the Proposed Agency Action Order, then that entity's IXC tariff should be cancelled administratively and its name removed from the register, and the collection of the unpaid

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4**PAA

Docket No. 090010-TI – Acknowledgment of cancellation of IXC Registration No. TK166 by Onchannel Communications, Corp., effective December 31, 2008.

Docket No. 090025-TI – Acknowledgment of cancellation of IXC Registration No. TJ965 by Business Productivity Solutions a Minnesota Corporation, Inc., effective December 31, 2008.

Docket No. 090030-TI – Acknowledgment of cancellation of IXC Registration No. TJ513 by Global Dialtone, Inc., effective December 31, 2008.

Docket No. 090051-TI – Acknowledgment of cancellation of IXC Registration No. TJ358 by TeleManagement Systems, Inc., effective December 31, 2008.

(Continued from previous page)

Regulatory Assessment Fees, including any accrued statutory late payment charges, should be referred to the Florida Department of Financial Services for further collection efforts. If an entity's IXC tariff is cancelled and its name removed from the register in accordance with the Commission's Order from this recommendation, that entity should be required to immediately cease and desist providing telecommunications service in Florida. These dockets should be closed administratively either upon receipt of the payment of the Regulatory Assessment Fees, including any accrued statutory late payment charges, or upon cancellation of each entity's respective IXC tariff and removal of its name from the register.

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CASE

5**PAA

Docket No. 090036-TP – Request for cancellation of CLEC Certificate No. 8669, and for acknowledgment of cancellation of IXC Registration No. TK117 held by Cost Plus Communications, LLC, effective December 31, 2008.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Administrative

Staff: RCP: Isler

GCL: McKay

Issue 1: Should the Commission deny Cost Plus Communications, LLC, a voluntary cancellation of its CLEC Certificate No. 8669 and IXC Registration No. TK117 and cancel the tariff and remove the company's name from the register on the Commission's own motion with an effective date of December 31, 2008?

Recommendation: Yes, the company should be denied voluntary cancellations as listed on Attachment A of staff's memorandum dated March 5, 2009.

Issue 2: Should this docket be closed?

Recommendation: Staff recommends that the Order issued from this recommendation will become final and effective upon issuance of a Consummating Order, unless a person whose substantial interests are affected by the Commission's decision files a protest that identifies with specificity the issues in dispute, in the form provided by Rule 28-106.201, Florida Administrative Code, within 21 days of the issuance of the Proposed Agency Action Order. As provided by Section 120.80(13)(b), Florida Statutes, any issues not in dispute should be deemed stipulated. If the company fails to timely file a protest and to request a Section 120.57, Florida Statutes, hearing, the facts should be deemed admitted and the right to a hearing waived. If the company pays the Regulatory Assessment Fees, including applicable late payment charges, prior to the expiration of the Proposed Agency Action Order, then the cancellation of the company's competitive local exchange telecommunications certificate and intrastate interexchange carrier tariff and the removal of its name from the register will be voluntary. If the company fails to pay the Regulatory Assessment Fees, including applicable late payment charges, prior to the expiration of the Proposed Agency Action Order, then the company's competitive local exchange telecommunications certificate and intrastate interexchange carrier tariff should be cancelled administratively and its name removed from the IXC register, and the collection of the past due Regulatory Assessment Fees should be referred to the Florida Department of Financial Services for further collection efforts. If the company's competitive local exchange telecommunications certificate and intrastate interexchange carrier tariff are cancelled and its name removed from the register in accordance with the Commission's Order from this recommendation, the company should be required to immediately cease and desist providing telecommunications service in Florida. This docket should be closed administratively either upon receipt of payment of the

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5**PAA

Docket No. 090036-TP – Request for cancellation of CLEC Certificate No. 8669, and for acknowledgment of cancellation of IXC Registration No. TK117 held by Cost Plus Communications, LLC, effective December 31, 2008.

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Regulatory Assessment Fees, including applicable late payment charges, or upon cancellation of the company's competitive local exchange telecommunications certificate and intrastate interexchange carrier tariff and removal of its name from the register.

ITEM NO.

CASE

6**PAA

Docket No. 090001-EI – Fuel and purchased power cost recovery clause with generating performance incentive factor. **(Progress Energy Florida, Inc.)**

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: McMurrin

Staff: ECR: Lester, Draper, Giles, Laux, Matlock, Roberts, Maurey
GCL: Bennett, Hartman, Saylor
SGA: Ellis

(Issues 1 and 3 - Participation is at the Commission's discretion; Issue 2, Deferral of Collection of Nuclear Costs and Issue 4 – PAA.)

Issue 1: Should the Commission approve PEF's petition for a mid-course correction to its 2009 fuel and purchased power cost recovery factors?

Recommendation: Yes. The new factors are shown on Attachment A of staff's memorandum dated March 5, 2009.

Issue 2: Should the Commission approve PEF's petition for a change to its 2009 capacity factors?

Recommendation: Yes. PEF will reduce capacity factors by revising tariff sheet 6.105. The new factors are shown on Attachment A of staff's memorandum dated March 5, 2009.

Issue 3: If the Commission approves PEF's petition for a mid-course correction, when should the new fuel and purchased power cost recovery factors and the new capacity factors become effective?

Recommendation: If the Commission approves staff's recommendation on Issues 1 and 2, the revised fuel and capacity factors should become effective with the first billing cycle in April 2009.

Issue 4: Should the Commission release PEF from the requirement of Order No. PSC-08-0824-FOF-EI that it files a report showing the effect of projected fuel prices on its end-of-period true-up by March 13, 2009?

Recommendation: Yes.

Issue 5: Should this docket be closed?

Recommendation: No. The Fuel and Purchased Power Cost Recovery Clause docket is an on-going docket and should remain open.

ITEM NO.

CASE

7

Docket No. 090001-EI – Fuel and purchased power cost recovery clause with generating performance incentive factor. **(Florida Public Utility Company)**

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: McMurrin

Staff: ECR: Lee, Draper, Giles, Matlock, Roberts

GCL: Bennett, Saylor, Young

(Participation is at the Commission's discretion.)

Issue 1: Should the Commission approve FPUC's petition for mid-course corrections to its authorized fuel and purchased power cost recovery factors for the Northeast Division?

Recommendation: Yes.

Issue 2: What is the appropriate effective date for FPUC's revised cost-recovery factors?

Recommendation: The revised fuel factors should be applied to meters read on or after March 27, 2009.

Issue 3: Should this docket be closed?

Recommendation: No. The Fuel and Purchased Power Cost Recovery Clause is an on-going docket and should remain open.

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8**

Docket No. 080574-SU – Application for amendment of Certificate No. 247-S to extend territory in Lee County by North Fort Myers Utility, Inc.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Argenziano

Staff: ECR: Walden

GCL: Jaeger

Issue 1: Should the Commission approve NFMU’s application for amendment of Certificate No. 247-S?

Recommendation: Yes, the Commission should approve NFM’s amendment application to expand its territory. The proposed territory is described in Attachment A of staff’s memorandum dated March 5, 2009. The resultant order should serve as North Ft. Myers Utility, Inc.’s amended certificate and it should be retained by the utility. North Ft. Myers Utility, Inc. should charge the customers in the added territory the rates and charges contained in its tariff until authorized to change by this Commission in a subsequent proceeding.

Issue 2: Should this docket be closed?

Recommendation: Yes. If the Commission approves Staff’s recommendation in Issue 1, no further action is required and the docket should be closed.

ITEM NO.

CASE

9 **Docket No. 080317-EI** – Petition for rate increase by Tampa Electric Company.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Skop

Staff: ECR: Slemkewicz, Bulecza-Banks, Draper, Hewitt, Higgins, Kummer, Kyle, Lee, Lester, Livingston, Marsh, Matlock, Maurey, Ollila, Prestwood, Springer

GCL: Young, Brown, Brubaker, Hartman

SGA: Graves, Sickel

(Post-Hearing Decision - Participation is Limited to Commissioners and Staff)

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

Approved Stipulation: Yes, TECO's projected test period of the 12 months ending December 31, 2009 is the appropriate test year to be utilized in this docket with appropriate adjustments.

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

Recommendation: Yes. TECO's customer and load forecast assumptions, regression models, and projected system peak demands are appropriate for the 2009 projected test year.

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

Recommendation: Yes, TECO's quality of service is adequate.

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

Recommendation: No. The adjustment is discussed in Issue 19. Except as discussed in Issue 19, no adjustments to rate base for non-utility activities are needed.

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?

Recommendation: No. Staff recommends the elimination of the pro forma adjustments to annualize the May CTs (2 units) and September CTs (3 units). This decreases jurisdictional Utility Plant in Service and Accumulated Depreciation Reserve by \$37,246,000 (\$38,672,000 system) and \$1,121,000 (\$1,163,000 system), respectively for the May CTs. The elimination of the pro forma adjustment to annualize the September CTs (3 units) decreases jurisdictional Utility Plant in Service and Accumulated Depreciation Reserve by \$97,193,000 (\$100,915,000 system) and \$2,630,000 (\$2,730,000 system), respectively. The total of both adjustments decrease jurisdictional Utility Plant in Service and Accumulated Depreciation Reserve by \$134,439,000 (\$139,587,000 system) and \$3,750,000 (\$3,894,000 system), respectively. The impacts to Net Operating Income of staff's proposed adjustments are discussed in Issue 71.

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9 **Docket No. 080317-EI** – Petition for rate increase by Tampa Electric Company.

(Continued from previous page)

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?

Recommendation: No. The appropriate level of Plant in Service for the 2009 projected test year is \$5,268,158,000.

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?

Recommendation: No. The appropriate Accumulated Depreciation of Electric Plant in Service for the December 2009 projected test year is \$1,929,038,515.

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

Recommendation: Yes. No adjustment to Construction Work in Progress (CWIP) is needed to remove costs recovered through the ECRC.

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?

Recommendation: Yes. TECO's requested level of Construction Work in Progress (CWIP) in the amount of \$101,071,000 for the 2009 projected test year is appropriate.

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?

Recommendation: Yes. TECO's requested level of Property Held for Future Use (PHFU) in the amount of \$37,330,000 for the 2009 projected test year is appropriate.

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

Recommendation: Yes. As discussed in Issue 56, working capital should be reduced by \$1,346,649 (jurisdictional).

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

Recommendation: Yes. TECO's requested increases in storm damage reserve, annual accrual, and the storm damage target reserve level should be rejected. The accrual for Storm Damage Reserve should remain at its current annual level of \$4 million with a \$55 million target amount. Removing TECO's requested increase to the storm damage accrual results in a decrease in the Company's jurisdictional O&M expense of \$16,000,000 (\$16,000,000 system) and a decrease in the jurisdictional working capital of \$8,000,000 (\$8,000,000 system) for the test year. At this point, it would be premature to require that the storm damage accrual stop when the target level is achieved. Staff believes this issue should be readdressed if and when the target level is actually achieved.

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9 **Docket No. 080317-EI** – Petition for rate increase by Tampa Electric Company.

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

Recommendation: No. Staff believes that TECO has submitted sufficient evidence to demonstrate that its pension expense is reasonable. Staff recommends that no adjustment to the Company's revenue requirement concerning pension expense is warranted.

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

Recommendation: No. Staff recommended a \$16,000,000, decrease to this account for the storm damage accrual in Issue 16. Staff recommends no further adjustment for this issue.

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

Recommendation: No. Staff recommends no adjustment for this issue.

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

Recommendation: No. Staff recommends no adjustment for this issue. Directors and Officers (D&O) insurance is a part of doing business for a public-owned company and should be allowed. The requested amount of \$1,700,908 is the lowest of the five-year period, 2005 through 2009.

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

Recommendation: No. No adjustment should be made to reduce Account 586, Meter Expense and Account 902, Meter Reading Expense.

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

Recommendation: Staff recommends that the appropriate amount of rate case expense be set at \$1,973,000 with a four year amortization period. Staff also recommends that the amortization period be increased from 3 to 4 years which results in a revised annual amortization of \$493,250. This reduces the Company's original jurisdictional projection of \$1,051,000 by \$557,750 (\$557,750 system basis).

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

Recommendation: No. Staff recommends no adjustment for bad debt expense.

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

Recommendation: No. Staff recommends no adjustment for Office Supplies and Expense.

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CASE

9 **Docket No. 080317-EI** – Petition for rate increase by Tampa Electric Company.

(Continued from previous page)

Issue 81: Did TECO correctly calculate the projected revenues at existing rates? (Stipulated)

Approved Stipulation: Yes, TECO correctly calculated the projected revenues at existing rates.

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

Approved Stipulation: 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. 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 percent of production plant, 82.3 percent of transmission plant and 100 percent 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?

Recommendation: The appropriate methodology is 12 Coincident Peak (CP) and 25 percent Average Demand (AD).

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?

Recommendation: The Polk Unit 1 gasifier and the Big Bend scrubber should be classified as energy.

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

Approved Stipulation: Yes, TECO's calculation of unbilled revenues is correct.

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

Recommendation: 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 the approved cost of service study (Issues 83 and 84), and move the classes to parity as practicable. 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. No class should receive an increase greater than 1.5 times the system average percentage increase in total, and no class should receive a decrease. The appropriate allocation must recognize approved changes in consolidation of classes, treatment of current IS customers and restructuring of lighting rate schedules.

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CASE

9 **Docket No. 080317-EI** – Petition for rate increase by Tampa Electric Company.

(Continued from previous page)

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? (Stipulated)

Approved Stipulation: Yes, TECO should 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.

Issue 114: Should this docket be closed?

Recommendation: The docket should be closed upon the expiration of the time for filing an appeal has run.