BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 080317-EI

IN RE: TAMPA ELECTRIC COMPANY'S
PETITION FOR AN INCREASE IN BASE RATES
AND MISCELLANEOUS SERVICE CHARGES

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DIRECT TESTIMONY AND EXHIBIT
OF
WILLIAM R. ASHBURN

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PREPARED DIRECT TESTIMONY

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WILLIAM R. ASHBURN

Q. Please state your name, business address, occupation and employer.

A. My name is William R. Ashburn. My business address is 702 North Franklin Street, Tampa, Florida 33602. I am the Director, Pricing and Financial Analysis for Tampa Electric Company ("Tampa Electric" or "company").

Q. Please provide a brief outline of your educational background and business experience.

A. I graduated from Creighton University with a Bachelor of Science degree in Business Administration. Upon graduation, I joined Ebasco Business Consulting Company where my consulting assignments included the areas of cost allocation, computer software development, electric system inventory and mapping, cost of service filings and property record development. I joined Tampa Electric in 1983 as a Senior Cost Consultant in the Rates and Customer Accounting Department. At Tampa Electric I have

held a series of positions with responsibility for embedded and marginal cost of service studies, rate filings, rate design, implementation of new conservation and marketing programs, customer surveys and various state and federal regulatory filings. In March 2001, I was promoted to my current position of Director, Pricing and Financial Analysis in Tampa Electric's Regulatory Affairs Department. I am a member of the Rate and Regulatory Affairs Committee of the Edison Electric Institute ("EEI") and the Rate Committee of the Southeastern Electric Exchange ("SEE").

Q. Have you previously testified before the Florida Public Service Commission ("FPSC" or "Commission")?

A. Yes. I have testified or filed testimony before this Commission in several dockets. I testified for Tampa Electric in Docket No. 000061-EI regarding the company's Commercial/Industrial Service Rider tariff and in Docket No. 020898-EI regarding a self-service wheeling experiment. In Docket Nos. 000824-EI, 001148-EI, 010577-EI and 020898-EI, I testified at different times for Tampa Electric and as a joint witness representing Tampa Electric, Florida Power & Light Company ("FP&L") and Progress Energy Florida Inc. ("PEF") regarding rate and

cost support matters related to the GridFlorida proposals. In addition, I have testified for Tampa Electric numerous times at workshops and in other proceedings regarding rate, cost of service and related matters. I have also provided testimony and represented Tampa Electric before the Federal Energy Regulatory Commission ("FERC") in rate and cost of service matters.

Q. Please state the purpose of your direct testimony.

A. The purpose of my direct testimony is to present the proposed rates and service charges that will produce the company's proposed jurisdictional revenue requirement increase of $228,167,000. Specifically, I:

1) Present the development and application of billing determinants and the forecast of base revenues from the sale of electricity and revenues from service charges for the 2008 and 2009 projected periods using present rates, and for 2009 under proposed rates to achieve proposed class revenues;

2) Present the Jurisdictional Separation Study and resultant jurisdictional separation factors utilized for the 2007 historical period and the 2008 and 2009 projected periods that determine the portion of Tampa Electric's system rate base and operating

expenses subject to the jurisdiction of the FPSC and form the basis for the company's proposed revenue requirement;

3) Present the 2009 projected period Retail Class Allocated Cost of Service and Rate of Return Studies that utilize a 12 Coincident Peak ("CP") and 25 Percent Average Demand ("AD") production capacity cost allocation methodology, which I will refer to as 12 CP and 25 Percent AD;

4) Describe the methods employed, facts considered, and principles upon which the Jurisdictional Separation Study and Cost of Service Study were prepared;

5) Provide conclusions regarding the adequacy of the aforementioned studies and the reasonableness of the resulting costs being used to support the proposed rate design; and

6) Explain the development of the company's proposed rate structure modifications, rate designs and new permanent rates, service charges and schedules to be implemented.

Q. Have you prepared an exhibit to support your direct testimony?

A. Yes, I am sponsoring Exhibit No. ___ (WRA-1) consisting

of five documents, prepared under my direction and supervision. These consist of:

Document No. 1	List Of Minimum Filing Requirement Schedules Sponsored Or Co-Sponsored By William R. Ashburn
Document No. 2	Proposed Rate Schedule Changes
Document No. 3	Comparison Of Class Allocated Cost Of Service Study Results Test Period: 2009
Document No. 4	Development Of Target Proposed Revenue Increase By Class Test Period: 2009
Document No. 5	Summary Of Resultant Proposed Class Parity Ratios And Rates Of Return Test Period: 2009

Q. Are you sponsoring any sections of Tampa Electric's Minimum Filing Requirements ("MFRs")?

A. Yes. I am sponsoring or co-sponsoring the MFRs shown in Document No. 1 of my exhibit.

Q. Are Tampa Electric's billing determinants, forecast of base revenues from the sale of electricity and service charges, Jurisdictional Separation Study, Cost of Service Study, proposed rate design and new permanent rate schedules provided as part of Tampa Electric's MFRs?

A. Yes, they are provided within the portion of the MFRs designated Section E, "Rate Schedules". I have provided the Jurisdictional Separation Study and two sets of Cost of Service Studies as well as work papers in separate bound volumes due to their voluminous size. Volume I contains the Jurisdictional Separation Study and workpapers. Volume II contains the Cost of Service Studies utilizing the MFR required 12 CP and 1/13 AD methodology with present and proposed rates. Volume III contains the Cost of Service Studies utilizing the company's proposed 12 CP and 25 percent AD methodology with present and proposed rates. Volume IV contains the company's Lighting Incremental Cost Study prepared in support of the lighting rate design, which is a supplement to MFR Schedule E-13d.

Q. What are the company's primary goals for the proposed rate design changes in this case?

A. While many specific changes are proposed, there are three primary goals. The first goal is to provide interruptible service to all general service customers desiring to take such service on a cost-effective rate schedule. This will be accomplished by permanently eliminating the company's present interruptible service

rate schedules, which are closed to new business, and transferring all customers to firm base rate service with the opportunity to take service under the company's interruptible conservation programs, GSLM-2 and GSLM-3. All present demand rate schedules, which consist of General Service - Demand ("GSD"), General Service - Large Demand ("GSLD"), and Interruptible Service("IS") will be combined into one new proposed GSD rate schedule. The effect of this proposal has consequences to both cost of service and rate design, including the cost recovery clauses, which normally would not be affected within a base rate filing. This alternative costing treatment for IS customers originated from the company's last rate case (Docket No. 920324-EI) when Tampa Electric was ordered (Order No. PSC-93-0165-ROR-EI) to file in this proceeding "…a cost study which allocates costs to this class(es) [IS] based on their load characteristics and a study which develops a Coincident CP kW credit based on avoided cost…".

The second goal is to implement a conservation-oriented price incentive through an inverted rate structure for the standard residential service ("RS") rate schedule. This two-block, inverted rate design provides an appropriate price signal to customers regarding their

energy usage and serves as motivation for increased energy conservation.

The third goal is to create a single lighting service ("LS-1") rate schedule under which all customers currently served would take service. This consolidates the High Pressure Sodium ("HPS") General Outdoor Lighting Service ("OL-1"), Premium Outdoor Lighting Service ("OL-3") and HPS Street Lighting Service ("SL-2") rate schedules. This consolidation into one rate schedule provides a more uniform rate application for similar or like facilities offered presently under three rate schedules.

Document No. 2 of my exhibit provides a diagrammatic overview of the changes described above as well as other changes I describe later and their impacts on present rate schedules.

BILLING DETERMINANTS

Q. Please explain the term billing determinants.

A. Billing determinants are the parameters for billing to which prices are applied to derive billed revenues. They include: 1) the number of customers (*i.e.* bills) to which

the customer charges are applied, 2) the amount of energy or kilowatt-hours ("kWh") sold to which the energy charges are applied, and 3) the amount of demand or kilowatts ("kW") to which the demand charges are applied. They also include the number of units to which any additional charges, discounts and/or penalties are applied. Some rate schedules are only billed using customer and kWh billing determinants, while others may include a kW billing determinant as well. Lighting schedules are billed based on lighting facility billing determinants (*e.g.* pole and fixture) along with kWh.

Q. Where are the billing determinants found in the company's filing?

A. Billing determinants for present and proposed rates are contained in MFR Schedules E-13c and E-13d.

Q. How were the billing determinants derived?

A. The basis for the billing determinants by rate schedule is historical billing data maintained by Tampa Electric's Customer Information System. Details of the derivation of these numbers are explained in MFR Schedule E-15. The foundation for the billing determinants was the company's

customer, peak demand and energy sales forecasts for test year 2009, which are supported in Tampa Electric witness Lorraine L. Cifuentes' direct testimony. The forecasts produce the number of customers, energy consumption and demand by revenue classifications of residential, commercial, industrial, public street and highway lighting, and sales to public authorities. Witness Cifuentes also forecasts the expected requirements for phosphate industry load which is volatile year over year and is a significant portion of energy sales by the company.

The next step was to distribute the forecasts of customers and kWh sales to rate schedule classifications. This distribution was made in proportion to customer and sales relationships of revenue classifications to rate schedule classifications that were experienced in recent years by analyzing data for the years 2003 through 2007.

Historical customer and kWh sales relationships were also established for other billing units in each rate schedule. These relationships were applied to the apportioned number of customers and sales of each respective rate schedule to derive the various other billing units, including billing demands, time-of-day

rate billing quantities, and metering and service voltage level distinctions, as well as various other billing quantities subject to additional charges or credits.

Q. Were the projected billing determinants impacted by the recently approved net metering Florida Administrative Code rule, Rule No. 25-6.065?

A. No. The development of the billing determinants was not impacted by the new net metering rule. Tampa Electric currently only has 13 customers for which the rule applies. The impact of net metering is not expected to materially affect the projected 2009 billing determinants. However, should net metering become more prevalent in future periods, the impact on the billing determinants will be captured.

Q. How were these billing determinants used?

A. The forecasted billing determinants were applied to current rates to calculate the base revenues from the sale of electricity for the 2009 test year based on present rates.

Q. Were these same billing determinants used to derive the

base revenues from the sale of electricity for the 2009 test year based on proposed rates?

A. In part, yes. They provided the initial basis for the derivation of billing determinants; however, they were adjusted to reflect the proposed rate design, which combines certain current rate schedules, eliminates others, and creates some new differentiation in charges. In addition, because of the proposed changes in rate design, certain customers were transferred from their current rate schedule to a new rate schedule, either because of schedule parameters or because of other rate options.

Q. Will customers who are transferred or who may benefit from transfer under the proposed rate changes be informed of the proposed changes in order to assist them with making the appropriate rate choice?

A. Yes. Multiple means will be employed to inform customers of these changes and their options, depending on the size of the customer group being affected and the type of choices available. Some customers will be contacted directly by company representatives through phone calls or visits as well as by bill inserts. Others will be

informed through direct mail letters and bill inserts.

FORECAST OF BASE REVENUES AND SERVICE CHARGES

Q. Did the company prepare a forecast of base revenues from the sale of electricity for 2009? If so, how was the forecast of base revenues derived?

A. Yes. The base 2009 revenue forecast for present and proposed rates is presented in MFR Schedule E-13a. The rates currently in effect were applied to the forecasted billing determinants to derive total annual base revenues forecasted for the 2009 test year before the proposed change in rates were considered.

Q. What is the projected retail billed electric revenues for 2009?

A. The projected retail billed electric revenues shown in MFR Schedule E-13a for 2009 is $837,851,000 under present rates and $1,059,231,000 under proposed rates, an increase of $221,380,000.

Q. The revenues you just described are for billed sales. Does the company make a calculation for unbilled sales?

A. Yes. For the 2009 test period, an amount of unbilled revenues has been determined to be a negative $1,139,000 under present rates, and a negative $1,440,000 under proposed rates, resulting in a negative $301,000 for unbilled sales.

Q. Did the company prepare a forecast of service charge revenues? If so, how was the forecast of service charge revenues derived?

A. Yes. The 2009 forecast of service charge revenues for present and proposed rates is presented in MFR Schedule E-13b. The current effective rates were applied to the forecasted billing determinants to derive service charge revenues. This represents the forecasted amount of service charge revenues before any proposed change to rates is considered.

Q. What is the projected billed service charge revenue for 2009?

A. The projected retail billed service charge revenue shown in MFR Schedule E-13b for 2009 is $12,785,000 under present rates and $19,902,000 under proposed rates, an increase of $7,117,000 million.

Q. What is the total amount of additional base revenues from the sale of electricity and service charges the company is requesting as a permanent increase?

A. The total amount is $228,167,000 in additional revenues in 2009. This is comprised of $221,380,000 of additional billed electric base sales revenues, negative $301,000 of additional unbilled electric base sales revenues, and $7,117,000 of additional service charge revenues.

JURISDICTIONAL SEPARATION STUDY

Q. What is a Jurisdictional Separation Study?

A. A Jurisdictional Separation Study allocates costs between the company's wholesale and retail customers or jurisdictions. While all costs are allocated, the allocation of joint costs is the focal point of the study. Joint or common costs are costs that serve many customers at the same time. One example is a generating plant that provides power not only to one customer or one group of customers, but to the aggregate load requirements of all power customers on the company's system. The joint costs of the generating plant are recorded on the company's books and records in total and the Jurisdictional Separation Study allocates the joint

costs between retail and wholesale customers. Only the costs associated with retail customers are applicable in this proceeding.

The Jurisdictional Separation Study allocates revenue, rate base and operating expense items, whether jointly or specifically assigned to a single jurisdiction, to derive the company's retail jurisdiction cost of service for the test period. Costs are first functionalized, then classified, and finally allocated between the wholesale and retail jurisdictions. These allocations utilize load and other factors that best represent each jurisdiction's cost responsibility to achieve this purpose. A description of how costs are functionalized, classified and allocated is provided below. The overall methodology is the same in both the Jurisdictional Separation Study and the Retail Cost of Service Studies, which I discuss later.

Q. Why is it necessary to prepare a Jurisdictional Separation Study for Tampa Electric?

A. Since early 1991, Tampa Electric has provided wholesale and transmission service to some municipalities in Florida at rates that are under the jurisdiction of the

FERC. Although the company operates in two regulatory jurisdictions, its investments, revenue, and expenses are maintained on a total company basis in accordance with the Uniform System of Accounts prescribed by the FERC and the FPSC. The Jurisdictional Separation Study is designed to directly assign or allocate total system costs.

Q. Is the Jurisdictional Separation Study provided in this proceeding consistent with Tampa Electric's previous Commission filings and industry practice?

A. Yes. Tampa Electric provided a Jurisdictional Separation Study in its last base rate proceeding that led to an approved methodology by the FPSC. That methodology has been utilized to produce separation factors for the annual projected surveillance reports, which are the same factors that have been used as separation factors for the 2007 and 2008 MFRs. Some specifically identified changes to the previous methodology have been utilized for the 2009 test year.

Q. What are the changes?

A. The majority of the changes incorporated in the company's

2009 Jurisdictional Separation Study relate to the transmission function and were made to comply with current FERC and FPSC orders and practices. The first change is to treat generator step-up facilities as a production capacity related function rather than a transmission capacity related function where they are booked in the accounting records. In addition, the previous functions of transmission and subtransmission have been consolidated and their associated costs are jurisdictionally separated based on a total rolled-in allocation approach rather than attempting to establish direct assignments. Finally, firm transmission service provided under the Open Access Transmission Tariff ("OATT") is treated as having cost responsibility and is allocated costs and assigned revenues rather than being treated as a revenue credit.

Both the FERC and this Commission have used the coincident peak loads for the 12 monthly peaks ("12 CP") methodology for allocating power supply and transmission costs and the 12 CP methodology was used for the jurisdictional separation in this study. MFR Schedule E-1 directs that the Jurisdictional Separation Study utilize the 12 CP methodology.

Q. What were the major steps followed in performing the Jurisdictional Separation Study?

A. There are several steps in preparing the Jurisdictional Separation Study. First, the company's accounting information provided by FERC account, shown in the MFR Schedules B, C and D, is adjusted for the test period. The accounts are then functionalized into production, transmission, distribution, and general functions. Next, they are classified into demand, energy or customer groups. After classification, the groupings are allocated into the retail and wholesale jurisdictions using allocation factors. The allocation factors are predominantly based on demand data for the retail and wholesale jurisdictions during the time of the company's projected system monthly peaks, although other factors are utilized that directly allocate certain costs to the specific jurisdiction for which the costs are incurred. In addition, other metrics such as energy sales and number of customers are utilized.

Q. What wholesale customers are included in the test period?

A. For the 2009 test year, Tampa Electric will provide wholesale requirements electric power and transmission

service to the cities of Reedy Creek, St. Cloud and Wauchula as well as to Progress Energy Florida, Inc. ("PEF") for a contract that was originally provided to the City of Sebring that PEF took over in 1993. In addition, transmission service provided under the OATT and a pre-OATT transmission agreement with Auburndale Power Partners are included as wholesale customers for jurisdictional separation.

Q. Please summarize the results of the Jurisdictional Separation Study.

A. In 2009, the retail business represents the vast majority of the electric service provided by Tampa Electric. As the results show in Volume I, Jurisdictional Study, the retail business is responsible for 96.3 percent of production plant, 82.3 percent of transmission plant and nearly 100 percent of distribution plant.

COST OF SERVICE STUDY

Q. What is a Retail Class Allocated Cost of Service and Rate of Return Study ("Cost of Service Study")?

A. The Cost of Service Study is an extension of the Jurisdictional Separation Study. It starts with the

retail separated costs derived from the Jurisdictional Separation Study and further allocates and assigns costs to individual retail rate classes. These rate classes represent relatively homogeneous groups of customers having similar service requirements and usage characteristics. Typically, the prices charged for service to different rate classes vary based upon cost of service as well as other factors. Allocations of costs to each of these groups, like the jurisdictional separation, are based upon the results of cost analysis. The Cost of Service Study results are considered, along with other factors described below, in the allocation of the revenue requirement among rate classes when designing rates. The study provides class rates of return at present and proposed rates, class revenue surplus or deficiency from full cost of service, and functional unit cost information for use in rate design. Thus, the study serves as an important factor in determining the revenue requirement by rate class, as well as the specific charges for each rate schedule.

Q. What retail rate classes were used in the preparation of the Cost of Service Study?

A. For purposes of preparing the Cost of Service Study using

present rates, existing retail rate classes were used. The rate classes utilized are: 1) Residential, 2) General Service Non-Demand, 3) General Service Demand, 4) General Service Large Demand, 5) Interruptible, and 6) Lighting Energy and Facilities.

For purposes of preparing the proposed rates, the Cost of Service Study presents a different set of retail rate classes. They are: 1) Residential, 2) General Service Non-Demand, 3) General Service Demand, and 4) Lighting Energy and Facilities.

Q. Why are there two columns of information presented under the present and proposed rates in the Cost of Service Studies for lighting service – Lighting Energy and Lighting Facilities?

A. Dividing the lighting rate class into the two components provides better unit cost information for designing the energy and facilities components of this rate class.

Q. Why are the GSLD and IS rate classes omitted in the proposed rates Cost of Service Study?

A. As I previously stated, the company is proposing to

combine the GSD, GSLD and IS rate schedules into a new GSD rate schedule. The proposed rates Cost of Service Study shows only the new GSD class to reflect the proposed rate design as well as the combined class rate of return results.

Q. How is the Cost of Service Study used as a guide in rate design?

A. Cost of service studies are useful in the design of rates to help ensure that the prices customers pay for electric service bear a reasonable relationship to the costs of providing that service. Costing and pricing are two distinct and separate steps in the rate making process. Costing attempts to objectively determine costs incurred in rendering service to the rate classes. While economic considerations and other subjective factors may be considered in the ultimate design of rates, cost of service should be the paramount consideration and the Cost of Service Study provides this information. I describe more fully the rate design process later in my direct testimony.

Q. What were the next steps in the Cost of Service Study process?

A. Similar to the Jurisdictional Separation Study, the development of cost of service studies consists of: 1) grouping all costs by function (functionalization), 2) classifying the functionalized costs by causal service characteristics (classification), and 3) apportioning the resulting classified costs to rate classes (allocation).

Q. How were Tampa Electric's costs functionalized?

A. The Uniform System of Accounts divides utility plant into the broad functions of production, transmission, distribution, and general. O&M and other expenses are functionalized in a comparable manner. This approach was utilized to functionalize Tampa Electric's costs.

Q. How were Tampa Electric's costs classified after they were functionalized?

A. Tampa Electric's operations are classified into three categories - demand, energy and customer cost. Demand cost is a function of the capacity of plant, which in turn depends on the maximum kW for power by customers. Energy cost is a function of the kWh volume consumed by customers over time. Customer cost is a function of the number of customers service is provided to by the

company.

Similarly, Tampa Electric's cost of service is measured by these same three cost categories: demand, energy, and customer and the three categories are appropriately called cost causations. The assignment of costs to these cost causation categories is called classification. Once classified, Tampa Electric's costs are then allocated to retail rate classes based upon cost behavior.

Q. Are all of the company's production plant facilities classified as demand related?

A. No. For purposes of jurisdictional separation, all production plant facilities are classified as demand-related consistent with prior jurisdictional separation practices. However, there are portions of two production facilities that are reclassified as energy related for purposes of allocating the FPSC jurisdictional component of these facilities on an energy basis. These facilities consist of the gasifier train equipment ("gasifier") for Polk Unit 1 and the scrubber portion of the environmental equipment for Big Bend Unit 4. Polk Unit 1 is an Integrated Gasified Combined Cycle ("IGCC") plant which has two main sections – the power block, which produces

the power through gas turbines and heat recovery steam generators, and the gasifier, which converts coal as the fuel feedstock into gas used in the power block. The gasifier performs a fuel conversion function that is completely associated with the provision of fuel to the unit and not the supply of capacity.

The classification of the Big Bend Unit 4 scrubber as energy-related was applied in Tampa Electric's last approved cost of service study. This treatment remains appropriate because the main purpose of the plant investment is related to energy output. Since the decision to classify the scrubber investment as energy-related, additional scrubber and Selective Catalytic Removal ("SCR") investments made by the company have been recovered through the Environmental Cost Recovery Clause ("ECRC") where they have been classified and allocated on an energy basis. Customers benefit from lower energy costs as the result of these investments, not primarily because of their contribution to system peak.

Q. How were costs allocated after they were functionalized and classified?

A. After determining the functionalization and

classification of costs based upon causation, the tools for cost apportionment to classes were determined. These tools, called allocation factors, were used to measure demand, energy and customer cost responsibilities. The derivation of the allocation factors used in the 2009 Cost of Service Study is documented in MFR Schedule E-10.

Q. What are the principal considerations when allocating demand costs?

A. The principal considerations in allocating demand costs include: 1) customer demand usage characteristics and their related responsibility for system coincident and non-coincident peaks, 2) the design and configuration of production, transmission and distribution facilities, and 3) unique customer service and/or reliability requirements and system operating data. These considerations provide guidance in determining what components should be used to derive the demand factor. Coincident peak demands, non-coincident peak demands ("NCP"), customer demands, and percentage of energy have been used to best represent those considerations.

Q. Please explain CP, NCP and customer peak demand.

A. Coincident Peak or CP demand reflects a class contribution to the total system monthly peak demand. For example, at the hour of the system peak in one particular month, the CP demand for the residential class would be that class' proportion of that hour's peak demand. NCP demand reflects the monthly peak demand of a class on its own as a group, regardless of when the system peak occurs. For example, a class may peak during the nighttime hours, while the system may peak during the late afternoon. The NCP for that class would be the demand during that nighttime hour. Customer peak demand is the aggregation of all individual customers' monthly peak demands, regardless of when they occur. These different measurements of demand are utilized to allocate different cost elements because those elements represent the best way of identifying what causes certain costs to be incurred.

Q. Please explain the treatment of demand allocated costs in the Cost of Service Study.

A. The Cost of Service Study required by the MFRs allocates production demand costs according to the 12 CP and 1/13 AD methodology. This was the approved methodology in the company's last rate proceeding. Under this method,

approximately 92 percent or 12/13 of the production demand classified costs are allocated on a 12 CP basis (i.e. the 12 coincident peak demands for the projected test year) and approximately eight percent or 1/13, is allocated on an energy basis. However, the company proposes that the Cost of Service Study used for rate design be modified from the MFR methodology to the 12 CP and 25 percent AD methodology applied to the production demand classified costs to better reflect cost causation. For both methods, transmission demand classified costs are allocated on a 12 CP basis while distribution demand classified costs are allocated on a mixture of NCP and customer demand bases. These allocation approaches are consistent between the two studies.

Q. Why is the company proposing a 12 CP and 25 percent AD methodology for allocation of production demand classified costs?

A. This proposed methodology provides a more appropriate classification and allocation of production plant within the Cost of Service Study when considering how power plants are planned and operated in Florida in response to customer energy and demand needs. The appropriate percentage of production demand classified plant to be

allocated on energy has been a debate in Florida for many decades. The percentage in prior Commission-approved studies for Tampa Electric have ranged from eight percent (derived using the 1/13 portion of the 12 CP and 1/13 AD methodology) to over 70 percent (derived from the Equivalent Peaker method approved in 1985). The debate over what is the appropriate percent to be allocated is about how much of the fixed production plant cost is incurred to meet system peak demand and how much is incurred to reduce variable operating costs, primarily fuel, by running the plant beyond peak demand periods. The higher the percentage of average demand applied, the more cost responsibility is allocated to higher load factor customers, and to IS customers under the current rate structure.

Q. Is the type of generation installed important in the selection of the appropriate production demand allocation methodology?

A. Yes, most definitely. The company has installed a significant amount of base- and intermediate-load generation which was more expensive to install than peaking generation, but less expensive to operate over time (including fuel). The base- and intermediate-load

generators provide lower fuel costs for each unit of energy produced compared to peakers. Investment in more expensive generating units and associated equipment to provide more efficient fuel conversion for the generation of electricity drives the need to use a greater energy allocation (*i.e.* 25 percent) within the production demand classified cost allocator. The 25 percent represents a balance between the inadequate 12 CP and 1/13 AD and Equivalent Peaker methodologies. Use of the 12 CP and 25 percent AD methodology allocates production demand classified costs to classes in closer proportion to the energy-based benefits those classes receive from those costs. The 12 CP and 25 percent AD methodology, together with the energy classification to certain investments such as the gasifier and Big Bend scrubber equipment described earlier, are essential in capturing the production cost impact of higher load factor and interruptible customers who benefit from the lower variable costs of base- and intermediate-load units.

Q. Would the adoption of the 12 CP and 25 percent AD methodology have implications for other cost recovery mechanisms?

A. Yes. Environmental investment recovered through the ECRC

should continue to be classified and allocated on the energy allocator and the remaining production demand classified costs should be allocated on the basis of 12 CP and 25 percent AD methodology. Similarly, this methodology should be utilized in the other cost recovery clauses for allocation of production demand classified costs to classes.

Q. Has the Commission previously deviated from the 12 CP and 1/13 AD methodology in a base rate proceeding?

A. Yes. As I referred to previously, the Commission relied on the Equivalent Peaker method in Docket No. 850246-EI, Tampa Electric's 1985 base rate proceeding. Also, in FP&L's base rate proceedings, in Docket Nos. 770316-EU and 830465-EI, the Commission approved the allocation of a portion of new nuclear unit production demand classified costs on an energy basis to recognize the fuel savings afforded by their nuclear investment.

Q. Have you prepared an exhibit that compares the results of the two methodologies?

A. Yes. Document No. 3 of my exhibit provides a summary comparison of the class cost of service results of the 12

CP and 1/13 AD and 12 CP and 25 percent AD methodologies, and calculates the difference in class revenue requirements for the RS, GS, GSD, and LS rate classes.

Q. Please explain how transmission and distribution costs were treated in the Cost of Service Studies versus how they were treated in the company's last base rate proceeding.

A. The effects of the transmission facility changes that were made in the Jurisdictional Separation Study are further extended to the allocations within the retail classes. These changes include: 1) a total rolled-in cost allocation of Tampa Electric's transmission and subtransmission facilities, 2) generator step-up facilities treated as production capacity related cost, and 3) wholesale firm transmission service sharing in cost responsibility rather than being treated as a revenue credit to cost of service. The changes reflect current Commission practices and are consistent with the cost support provided by the company before FERC in establishing its OATT.

One particular refinement that has been incorporated in the Cost of Service Studies prepared for this case is

associated with the treatment of distribution plant. The new Cost of Service Studies eliminate consideration of directly assigning costs to rate classes for specific service from the distribution networks installed and operated by the company in the downtown and Tampa International Airport areas. Previous efforts to perform such analyses were difficult, incomplete, and did not provide measurable benefit to the cost of service analysis. For the studies presented in this case, an average cost allocation of all distribution facilities to the retail classes has been applied and is a more appropriate methodology.

A number of other refinements were made to the classification of costs utilized in previous cost of service studies to be more consistent with the classifications suggested by National Association of Regulatory Utility Commission guidelines in their Electric Utility Cost Allocation Manual. These refinements were primarily related to the classification of production O&M and administrative and general costs.

Q. How were energy and customer costs allocated?

A. Annual energy consumption of the classes is used for

allocating energy-classified costs. Such consumption must reflect the level at which it is consumed for allocation, either at the meter or generator. The weighted number of customers or customer bills during the year is used for allocating customer-related costs.

Q. Do Tampa Electric's 12 CP and 25 percent AD methodology Cost of Service Studies reasonably allocate costs between rate classes within the retail jurisdiction?

A. Yes. All of the filed studies comply with Commission rules and regulations. The 12 CP and 25 percent AD methodology Cost of Service Studies produce reasonable and appropriate allocations of the costs to serve the retail rate classes.

Q. In preparing the Cost of Service Studies, did the company consider demand-side management ("DSM") programs as an alternative costing treatment for IS customers?

A. Yes. As previously stated, in Tampa Electric's last rate proceeding, the company was ordered in Commission Order No. PSC-93-0165-ROR-EI, as it relates to the IS rate class, to file in the company's next rate proceeding:

"...a cost study which allocates costs to this

class(es) based on their load characteristics and a study which develops a Coincident CP kW credit based on avoided cost…".

Q. What DSM treatment is the company providing as an alternative to cost of service treatment for IS customers in complying with this prior order?

A. The company is providing and proposing that the GSLM-2 and GSLM-3 interruptible conservation programs, which are service riders to the GSD rate schedule, be utilized to provide current and future service to general service interruptible customers. Consequently, the IS class in the 2009 proposed rates Cost of Service Study has been eliminated to reflect the transfer of all such customers to the GSD rate schedule and the GSLM-2 or GSLM-3 service riders. By transferring IS rate schedule customers to the firm GSD rate schedule and their taking service under the two interruptible conservation programs, GSLM-2 and GSLM-3, the current IS customers are combined with the GSD customers in the 2009 proposed rates Cost of Service Studies. I provide a detailed description of this rate treatment later in my direct testimony.

Q. In the present rates Cost of Service Study, there is a

column for GSLD that is not in the proposed rates Cost of Service Study. Please explain this change.

A. Because the company is also proposing to combine the GSLD rate into the GSD rate schedule, there is no longer a need to include a GSLD column in the Cost of Service Study for proposed rates. The present GSD and GSLD base rate charges for energy and demand are nearly identical, with the only real difference being the customer charge that reflects the different percentage of customers taking service at a higher voltage level, and the application of a power factor clause for GSLD. The customer charge difference becomes moot with the proposed design of voltage level customer charges for the combined GSD rate, and it better reflects the metering costs to the customers who cause them. The power factor can be accommodated in the newly combined GSD rate by simply making it applicable to customers who exceed the 1,000 kW threshold that was applied under the present rates. With these rate design changes, it is reasonable and appropriate to combine the rate schedules.

RATE DESIGN

Q. What criteria and objectives were used in designing the new rate schedules and how were they used in the rate

design?

A. The basic criteria used in designing Tampa Electric's new rate schedules included: 1) cost to serve the various classes, 2) rate history, 3) public acceptance of rate structures, 4) customer understanding and ease of application, 5) consumption and load characteristics of the classes, and 6) revenue stability and continuity. This Commission has recognized these criteria as appropriate rate design criteria.

Cost to serve is a major consideration in rate design and in the preparation of the Cost of Service Study. The utilization of derived unit cost is a major tool utilized in the design of the company's proposed rates.

Rate history is another important tool. This includes understanding how Tampa Electric rates were designed in the past, whether they have achieved their intended objectives and what rate structures have been successfully applied in Florida and around the country by other utilities. I have worked in the regulatory area at Tampa Electric for almost 25 years and am well aware of the company's rate history. In addition, I track rate decisions made by the Commission that affect other

jurisdictional electric utilities and participate frequently in EEI and SEE rate committee meetings where alternative rate designs, as well as successes and failures of such rates, are discussed.

Public acceptance of rate structures, customer understanding, and ease of application are important considerations. I obtain information from frequent contact with the company's customer service team members and interaction with some customers that I factor into my work.

Class consumption and load characteristics are utilized both within the Cost of Service Study as well as in the proposed design in developing appropriate projected billing determinants to assure successful recovery of revenue requirements. Revenue stability and continuity are criteria that factor into the rate design when selection of appropriate billing units to apply under the rates is considered, as well as the appropriate forecast of those billing units.

Q. With these criteria in mind, did the company have specific objectives that were considered in the proposed rate design?

A. Yes. First and foremost, rates should be designed for each rate schedule such that their application to the test year billing determinants produces the target class revenues. There are five other specific objectives that the company sought to accomplish: 1) to design rates, especially for the residential class, that produce conservation-oriented price signals, 2) to provide interruptible service to new and existing customers on a cost effective rate, 3) to eliminate duplicative demand billed rate schedules and combine these under a single rate schedule, 4) to establish time-of-day rates for GS and GSD service to provide a greater incentive to shift energy consumption to the off-peak period, and 5) to reorganize the company's three lighting service rate schedules into a single lighting rate schedule that will facilitate more efficient and understandable rates and services while recognizing the common cost of providing that service.

Q. Were these objectives met in the design of the company's proposed rates and tariffs?

A. Yes. The proposed rates and tariffs incorporate all five of these objectives.

Q. Were the new rates designed to produce the requested additional revenues?

A. Yes. The proposed rate schedules shown in MFR Schedule E-14 present new rates designed to produce $228,196,000 in additional revenues. This consists of $221,380,000 of additional billed electric base sales revenues, negative $301,000 of additional unbilled electric base sales revenues, and $7,117,000 of additional service charge revenues. The proposed rates total the company's revenue requirements.

PROPOSED SERVICE CHARGES

Q. What was your first step in designing rates and charges to produce the company's revenue requirement?

A. The first step was to determine service charges. Cost support for all service charges is provided in MFR Schedule E-13b. The service charges requested include three new tariff charges along with revisions to the existing tariff charges. In total, the requested changes produce $7,117,000 in additional revenue. These revenues serve as a credit to offset a portion of the revenue requirement that would otherwise increase the company's base rates.

Q. Please describe the three new service charges.

A. Two of the new charges provide a convenience service option for customers seeking to reconnect electric service on an accelerated basis or after normal business hours. The first is a Connection Charge applied to the re-establishment of service to accommodate a special customer request for same day service. Such special requests must be made prior to 6:00 P.M. of that day. Currently customers receive re-establishment of service on the next business day. This Connection Charge will cost $40 more than the proposed fee for standard connection, but will provide a convenience option for customers who are in need of more immediate service.

The second new charge is for the re-establishment of service on Saturdays from 8:00 A.M. to 12:00 noon, to accommodate special customer requests. Such special requests must be made by 12:00 noon on the prior Friday. Currently, connections are only made during normal business days and providing this new service for a Saturday connection will necessitate calling out crews to perform the work. While this option is being offered at a price that is $275 more than the proposed fee for standard connection, it will provide another option for

customers who desire more immediate connection service and are willing to pay the additional cost.

The third new charge is a Tampering Charge applicable to customers whose unauthorized use of service is discovered and associated investigative costs and damages are limited and minimal. The current tariff provides that charges may be assessed based on unauthorized or fraudulent use, but this charge is not intended for instances where a detailed and full investigation is required to determine the exact amount of such use. In these instances, Tampa Electric will continue its practice of identifying the actual costs and assessing them as authorized by the tariff. The new charge is designed to recover the costs of discovering and confirming tampering where the cost of investigating and estimating is greater than the damages. This charge is being established to simplify the calculation of charges in cases when investigation and further analysis is not cost effective or warranted.

Q. What changes are being proposed for the company's existing service charges?

A. With the exception of the Late Payment and Returned Check

charges, all existing charges have increased to reflect the increased cost of providing the services. The proposed increases result in reasonable service charges.

While there is no proposed change to the Late Payment charge itself, the company is proposing that a $5.00 minimum charge be established for all bills subject to a late payment of $10.00 or more. Such a minimum has already been approved by the Commission for PEF, FP&L and, most recently for, Florida Public Utilities Company.

The company is also proposing a change to the tariff language for the Returned Check Charge to read, "A Returned Check Charge as allowed by Section 68.065, Florida Statutes, shall apply for each check or draft dishonored by the bank upon which it is drawn." Tampa Electric's current Returned Check Charge is set at the limit allowed by law, but this language change will facilitate future changes to the charge should that limit be changed without the need for tariff changes.

PROPOSED BASE RATES

Q. After setting prices for service charges, what was the next step in designing rates?

A. The next step was to design base rates. In designing new rates, the company first attempted to move unit prices toward unit costs for the various classes to determine parity. Parity is a comparison of a class rate of return to the system average rate of return and the term is used interchangeably with the term rate of return index. Since parity is calculated by dividing the rate of return for a particular class by the system average rate of return, a class with parity of 100 percent would be earning the same rate of return as the system average and a class with parity below 100 percent would be earning less than the system average. Parity is useful when determining the development of class revenue targets associated with the proposed base rate revenue increase.

Q. Please describe the procedure used to determine what portion of the company's proposed base rate revenue increase should be assigned to each rate class.

A. The starting point in determining the portion or percentage of the company's proposed base rate revenue increase to be assigned to each rate class is the Cost of Service Study. For this purpose, the Cost of Service Study using the 12 CP and 25 percent AD methodology at present rates was relied upon. In this Study, the IS

class was retained but was allocated full production capacity costs like all the other classes based on their full load characteristics. The goal was to compare present revenue for each class to the class cost of service requirement and distribute the revenue increase to classes in proportion to their deficiency to the extent practical.

Q. Did you prepare a document that sets out the procedure used to develop the target revenue increase for each of the company's rate classes?

A. Yes, Document No. 4 of my exhibit was prepared for that purpose. Column (A) shows the allocated cost of service resulting from the Cost of Service Study for each class. These amounts are reduced by additional revenues that are projected to be realized from an increase in service charges as shown in column (B). This net revenue requirement for each rate class (column C) forms the basis for comparison to revenues calculated under present rates for each class.

At this point, present revenue for each class could have been subtracted from the cost of service requirement to establish any class deficiency or surplus of revenue from

cost. However, it is better to first recognize that, independent of any rate change due to the company's proposed revenue increase, base revenue for each class would need to be adjusted to recognize the rate treatment being proposed for IS customers. Under the proposed treatment, the base cost requirement for non-IS customers is reduced and the IS customers' base cost requirement is increased to reflect the full sharing of production demand related costs by the full load responsibility of the IS customers. Associated with this treatment is the increased cost responsibility to the non-IS rate classes of the cost for the proposed increase in conservation credits made to the transferred IS customers and recovered through the Energy Conservation Cost Recovery Clause ("ECCR"). This change of cost recovery between base rates and the ECCR should result in no change in each class' total revenues, but does result in an effective different level of present base revenues and should be adjusted prior to applying the requested increase in base revenues. The results of this effect are shown in column (F).

Next, column (G) shows the calculation of the revenue deficiency or surplus for each class after comparing the class cost requirement to the adjusted present class

sales revenue. Again, the goal is to distribute the proposed revenue increase in proportion to the revenue deficiency for each class to the extent practical. This distribution is shown in column (I) with three noteworthy considerations. First, since the base rates of the GS class have traditionally been set equal to the RS class, these two classes have been combined into one for purposes of this calculation. Second, the present rate classes of GSD, GSLD and IS have been combined to represent the proposed changes to the GS rate structure, and therefore, are treated as one grouping for this calculation. Third, a specific amount of revenue change for the facilities portion of the lighting class revenues has been assigned to reflect the revenue effect related to the proposed restructuring of the lighting rate schedules.

The final step is to add the proposed increase for each class, presented in column (I), to the adjusted present revenue of column (F) while taking into account the effect of proposed rates on unbilled revenue, which is shown in column (M). This results in the final target sales revenues for each class shown in column (N). These are the class sales revenues used to design the proposed rate charges.

Q. Does your proposed rate design move rates closer to parity?

A. Yes. In effect, the billing determinants for each unit price can be considered a class of customers. Moving the unit price for each billing determinant closer to cost is consistent with considering the cost to serve each rate class. Thus, in designing the unit prices to recover the targeted revenue for the rate schedule, the unit prices were moved toward the unit costs. This maintains consistency between the philosophy adopted for allocating the increase among the classes and the philosophy adopted for allocating the increases among the unit prices paid by customers within the classes.

Q. Was the company able to design each rate at 100 percent of parity under the cost methodology selected?

A. No, not fully. However, consistent with the rate design criteria discussed above, each rate class was designed to move as close to 100 percent of parity as practical as defined by the 12 CP and 25 percent AD methodology Cost of Service Study. It is important to note that full moves to parity can cause disproportionate increases to some classes. While cost of service is a very important

consideration in rate design, it is not the only factor the Commission should use to determine the level of rates.

Q. How close to parity are the rate classes for the proposed rates?

A. Overall, most rate classes are close to parity. A parity ratio of 1.00 indicates rates are set exactly on the cost of service as measured by the particular cost study selected. A ratio of less than 1.00 indicates that class is served below cost and a class ratio of more than 1.00 indicates that class is served above cost. The results are shown in Document No. 5 of my exhibit.

CONSERVATION-ORIENTED PRICING

Q. Please discuss how the proposed rate design meets the objective of providing conservation-oriented price signals in rate design for the residential class.

A. Tampa Electric is restructuring its residential rate schedule offerings to meet this objective. First, the company is proposing that the RS standard service rate schedule be changed from a flat base energy rate to a two-block, inverted base energy rate design, with the

break point at 1,000 kWh and a $0.01 per kWh differential between the two blocks.

Second, the company is proposing that the base rate energy charge for the Residential Service Variable Pricing ("RSVP") rate, the recently approved rate schedule supporting the company's critical peak pricing conservation program, remain flat to help customers focus on shifting usage patterns and reducing usage in the higher price periods.

Third, the company is proposing that the Residential Service Time-of-Day ("RST") rate schedule be eliminated and the 40 customers currently taking service under that schedule be transferred to either the RSVP or the standard RS rate, at their choice. These rates are more conservation oriented than the RST rate. For purposes of this filing, the billing determinants assume that all customers will choose to transfer to the RSVP rate schedule.

Q. Why is the company proposing that the RS rate schedule be changed from a flat energy rate to an inverted energy rate?

A. An inverted base energy rate is becoming a standard in Florida with the Commission having approved such rates for FP&L and PEF. The higher rate at the second block, above 1,000 kWh, provides a price signal to customers about energy use that can serve as a way to encourage energy conservation while the lower first block rate provides a billing benefit to lower use customers.

To fully take advantage of this conservation-oriented rate design and provide a further incentive, the company will seek Commission approval for an inverted fuel factor with a 1,000 kWh inversion point and a $0.01 per kWh price differential to be effective in January 2009. The proposed inverted base and fuel charges were used for the purposes of showing bill impacts in MFR Schedule A-2.

Q. Why is the company proposing only two blocks for the inverted rate design?

A. The two block rate design has received broad acceptance in Florida and applying this design for Tampa Electric's initial inverted rate design should achieve similar customer acceptance and ease of understanding.

Q. What is the RSVP rate schedule?

A. The RSVP rate is a critical peak pricing conservation program offered by Tampa Electric. RSVP was piloted in 2006 and 2007 and was approved by the Commission for full implementation in 2007. Under this program, a customer is provided time differentiated pricing signals as well as a critical peak pricing signal that can occur at any time although it is limited to no more than 134 hours per year. The program includes a programmable thermostat that links up through the home wiring with control devices on the customer's water heater, heating and cooling equipment, and pool pump. This provides the customer an automated process to control high energy consuming equipment and reduce or increase energy usage in reaction to pricing signals. The program has proven to be an effective program that achieves conservation of demand and energy.

Because the RSVP rate already has substantial price differentials designed to induce conservation and load shifting behavior by the customer, the proposed rate does not include the two-block inverted rate design. Making such a change would not be cost effective and could lead to customer confusion. Consequently, a flat base energy rate is still appropriate for the RSVP rate.

Q. Why is the company proposing to eliminate the RST rate and transfer customers currently served under this rate to either the standard RS rate or the RSVP rate?

A. The RST rate schedule has never been popular since its inception in the 1980s, and it does not make sense to maintain it for the 40 or so customers who are on it. The company's RSVP rate has strong customer acceptance and the company believes that most, if not all, of the current RST customers will find the RSVP rate schedule a more than satisfactory replacement. If any RST customer does not desire to transfer to the RSVP rate schedule, they may select the RS rate.

Certain customers who take service under the RST rate schedule do not reside in single-family homes, a current requirement for service, so they will not be eligible to be transferred immediately to RSVP. Tampa Electric is working on a technology advancement that will ultimately enable these customers to take service under this rate schedule. This technology advancement is expected to be available in 2009 but, in the event it is not available when the proposed rate change goes into effect, Tampa Electric will transfer these current RST customers to the standard RS rate schedule until RSVP is available and can

be offered.

PROPOSED INTERRUPTIBLE SERVICE RATE DESIGN

Q. What rate restructuring is the company proposing to meet its rate design objective of providing interruptible service to new and existing customers on a cost-effective rate?

A. As previously described, the company is proposing to: 1) eliminate the currently closed to new business IS rate schedules, 2) transfer these customers to the appropriate GSD, GSDT or Standby Firm ("SBF") rate schedule, and 3) provide the customers with interruptible service options under the appropriate currently open GSLM-2 and GSLM-3 riders.

Q. Why is the company proposing to make this change?

A. The IS-1 rate schedules were closed to new business in 1985 and the IS-3 rate schedules were closed to new business in 2000 when the GSLM-2 and GSLM-3 conservation programs were opened. The Commission has allowed customers served under the IS-1 and IS-3 rate schedules to continue service under these rate schedules even though they are no longer cost effective. This

proceeding provides the best opportunity to accomplish a transfer and permanently eliminate the IS-1 and IS-3 rate schedules with limited impact to the customers still served under those schedules.

The primary benefit of transferring IS customers to the GSLM-2 and GSLM-3 interruptible conservation programs is to ensure that such load is provided under a cost-effective rate schedule so that firm customers will not be required to provide a long-term subsidy to interruptible load. Under the GSD rate and the GSLM-2 and 3 conservation programs, the credit for interruptible service will track avoided cost and be commensurate with the benefits IS customers provide to the overall ratepayers.

Q. How is the responsibility for allocation of production capacity costs determined for IS customers?

A. Historically, IS customers have received a minimal allocation of production capacity cost under a 12 CP and 1/13 AD methodology. This minimal allocation is a result of assuming zero 12 CP load responsibility and an average demand load responsibility for 1/13 or approximately eight percent of the production capacity costs. As

described earlier, the company is proposing a more appropriate cost of service approach that increases the weighting of average demand to 25 percent. Absent any other changes proposed by the company with regard to interruptible service, this change would result in IS customers sharing in an increased percentage of the production capacity cost, with all other customers responsible for the remaining production capacity costs.

Q. You have described the allocation of production capacity costs to IS customers through the cost of service study. How will production energy costs be allocated?

A. Unlike production capacity costs which have a limited allocation, IS customers receive a full allocation of production energy costs. As described earlier, the company has identified and classified certain production investments, such as the Big Bend Unit 4 scrubber and IGCC gasifier as energy, to better reflect their use in providing service to all customers. This results in a higher energy cost allocation to IS customers and supports higher rate levels absent any further changes.

The changes in allocation of both production capacity costs and energy costs are reflected in the Cost of

Service Studies presented by the company reflecting its present rate structure. In the Cost of Service Studies that reflect the proposed rates, the load of these current interruptible customers is transferred to the new GSD class and full 12 CP load is recognized in the production capacity cost allocation. As a result, the non-interruptible customers are then allocated a lower portion of those costs.

Q. With this proposed change, how will the IS customers being transferred to GSD receive a benefit for being interruptible?

A. The customers previously served under IS rates and being transferred to the GSD rate schedule will receive a credit under the GSLM-2 or GSLM-3 conservation program rate riders.

Q. What is the basis for the credit under the GSLM-2 and GSLM-3 riders?

A. As a conservation program, the credit provided under these riders is based on the cost of the company's latest avoided unit. By tracking avoided cost rather than an allocation process in a cost of service study, the

benefits of interruptible service provided by these transferred customers to the system will be commensurate with a lower bill via a conservation credit. For 2009, the applicable credit is proposed to be a load factor adjusted $10.91 per kW and it has been utilized in this filing.

Q. Will IS customers face annual changes to the credit offered under GSLM-2 and GSLM-3 as new avoided units are designated?

A. No. Under the GSLM-2 and GSLM-3 conservation programs, the credit applied in the first year is locked-in for a three-year period, which coincides with the three-year commitment required under the current program. Therefore, customers under the new program can plan for this credit level for up to three years. In addition, at any point during the three-year period, the customer may choose to lock-in at the then current credit for a new three-year period.

Q. Will transferred interruptible customers still have Optional Provision purchased power available to them and, if so, is the company proposing any changes to this provision?

A. Yes. The Optional Provision purchased power that has been available to customers under the IS rate schedules in the past to help minimize interruptions will be available under the GSLM-2 and GSLM-3 riders. The only change the company is proposing to make is to update the charge for associated administration from two mills per kWh to three mills.

Q. Under the proposed rate restructuring for interruptible customers, should these customers also be responsible for their full 12 CP load share of production capacity costs being recovered in the company's cost recovery clauses?

A. Yes. The interruptible customers should not be treated differently than other customers regarding their share of production capacity costs, whether the costs are being recovered through base rates or cost recovery clauses. The compensation being afforded for their interruptibility is being provided fully by credits under the GSLM-2 and GSLM-3 riders. This is consistent with the treatment afforded residential load for customers receiving payments under the RSVP-1 rate and the Prime Time load management program.

Q. Does this mean that the recovery factors for all rate

classes in the company's cost recovery clauses need to change when the proposed base rate changes go into effect?

A. Yes. Recovery factors for the Capacity Cost Recovery Clause ("CCRC"), ECRC and ECCR need to be revised when the proposed changes become effective. These revisions are necessary for three reasons. The first is that CCRC, ECRC and ECCR are designed to recover costs, including production capacity related costs. Under the proposed restructuring, transferred interruptible customers will now be responsible for their full 12 CP load share of production capacity related costs. This has the effect of reducing the recovery factors for non-interruptible customers.

Second, since the proposed treatment for interruptible load is a conservation program, the credits being paid to interruptible customers are additional costs that must be recovered from all customers through the ECCR. Thus, all ratepayers will incur a higher ECCR charge. However, the associated non-interruptible customers' increase is offset primarily by a lower cost responsibility in the Cost of Service Study allocation of production capacity costs to be included in their base rates.

Third, with the proposed change in production capacity cost allocation method in the Cost of Service Study to 12 CP and 25 percent AD methodology, a concurrent change in allocation of production capacity cost in the clauses is proposed to maintain consistency in allocation. In MFR Schedule A-2, the CCRC and ECCR recovery factors, which are proposed to become effective with the revised rate structure, have been designed to be applicable to GSD standard rate customers' billing demand rather than kWh use.

Q. Why is the company making this recovery methodology change for this rate group?

A. The customers under the proposed GSD standard rate are the only customers for which demand is measured and for which demand charges can be assessed. Since CCRC and ECCR costs are predominantly demand related costs, it is appropriate to recover these costs on a billing demand basis. This recovery methodology has been deemed appropriate by the Commission in its decision to approve FP&L's request to recover costs in this manner. The company is proposing this change become effective at the same time that the base rates under the new GSD rate schedule become effective.

Q. Have the effects of all these proposed changes been presented in the company's filing?

A. Yes. The proposed charges utilized in the billing comparisons provided in MFR Schedule A-2 incorporate revised billing adjustments that reflect these changes. The billing comparisons shown on MFR Schedule A-2 for interruptible customers include the proposed conservation program credit as a reduction to the proposed base rate charges.

PROPOSED GSD RATE DESIGN

Q. How does the proposed GSD rate design meet the company's objective of combining duplicative demand billed rates under a single rate schedule?

A. The present design of GSD and GSLD rates has both schedules priced at the same base demand and energy rates with different customer charges, although only GSLD has a power factor penalty/credit mechanism. The break point between the two schedules is 1,000 kW in billing demand. The company is proposing that these two rate schedules, along with the IS customers being transferred to GSD service and subject to the GSLM riders, be served under a single GSD rate schedule. Power factor penalties and

credits would be applied only to transferred customers in excess of 1,000 kW because the risk of poor power factor affecting other customers is greater from customers with large demand requirements. Combining all demand billing customers under one rate schedule will simplify the provision of service to this important customer group and provide a better matching of the cost of providing service.

Q. Is the company proposing to continue offering an optional, energy only rate for GSD service?

A. Yes. As approved in the company's last rate order, the company is proposing to continue offering an optional, energy only rate for GSD service. The proposed base energy charge for this optional rate is set equal to 120 percent of the GS energy charge as was established by the Commission.

Q. Are there any other rate design changes the company is proposing for the combined GSD rate schedule?

A. Yes. The company is proposing different customer charges based on the voltage level at which the customer is metered: secondary, primary or subtransmission.

Q. What is the basis for the proposed voltage level customer charges for GSD?

A. The proposed GSD customer charges are designed to recover the cost of metering, meter reading, billing, and customer service. The largest component of these is the metering cost, which can vary greatly depending on the voltage level established for metering. Higher voltage metering requires more expensive metering equipment as well as associated instrument transformation equipment. These costs are the basis of the difference in the design of the current GSD and GSLD customer charges. Combining the GSD, GSLD and IS customers into the new GSD class without a differentiation in customer charge would lead to inequity in the rate design for the combined group. The company is proposing a $57 customer charge for secondary customers, $130 for primary, and $930 for subtransmission compared to the current charges of $42 for GSD, $255 for GSLD, and $1,000 for IS. The new voltage level charges are cost based and they appropriately recognize the cost of service differences to customers under the new combined GSD rate schedule.

Q. Are there other rate changes proposed for the GSD tariff rate terms and conditions?

A. Yes. The company is proposing an increase in the transformer ownership discounts and the emergency relay service charges based on updated costs. The company is also proposing a change to the application of the transformer ownership discounts. Transformer ownership discounts will apply to service voltages as newly defined in the tariff. This approach changes the prior application of transformer ownership discount for primary service by making such discounts applicable to all customers who take primary service.

Q Are there any changes proposed for the standby rate schedules?

A. Consistent with the changes being proposed for the interruptible rate schedules, the standby rate schedules SBI-1 and SBI-3 are being eliminated and customers under these rate schedules will take service under SBF or SBFT, along with the GSLM-3 rider. The proposed charges for SBF and SBFT have been determined in the manner prescribed by the Commission for the design of standby rates.

Q. Are there portions of the current GSD rates, terms and conditions the company is proposing to remain the same?

A. Yes. The company is proposing that the meter level discount of one percent for primary service and two percent for subtransmission service remain the same. These percentages are intended to recognize transformation losses and are typical of values used for this purpose. The company is proposing that this discount should also apply to the transformer ownership discount, emergency relay charge, and power factor penalty and credit billings. In addition, after analysis on the cost of capacitor investment which was the basis for the current charge, the company is proposing that the power factor charge of $2.00/kVARh and credit of $1.00/kVARh remain the same.

Q. Are there proposed changes to the applicability section for Rate Schedules GS and GSD?

A. Yes. Currently, the upper threshold under Rate Schedule GS is for customers "…whose highest measured 30-minute interval demand has not exceeded 49 kW for twelve (12) consecutive monthly billing periods…". A similar lower threshold applies to Rate Schedule GSD. The kW threshold schedule necessitates that many GS customers be put on a demand registered meter simply to determine when they have passed this threshold. The company is proposing

that this threshold and the related threshold for GSD be changed to a kWh level above which the customer would take service under GSD. The proposed threshold is 9,000 kWh for a billing period. Establishing this energy threshold for GS and GSD customers will facilitate transition from one rate class to another and will reduce the need for demand meters for this purpose.

Q. Will the company's proposed rate changes to its general service rate schedules (GS, GSD, GSLD and IS) result in any customers being transferred to another rate schedule other than the IS and GSLD changes previously discussed?

A. Yes. The company's proposed restructuring will necessitate some customers being transferred from their current designated rate schedule due to the proposed applicability for the GS and GSD rate schedules changing to a 9,000 kWh threshold to replace the prior threshold of 50 kW. This change requires a transfer of some customers from GS to GSD and others from GSD to GS. The GSD rate has an optional rate offering that allows customers with low load factors to be billed on an energy only rate that would be more beneficial. This allows some customers who must transfer to GSD from GS to be able to take advantage of the optional rate while others

would be more advantaged under the standard rate. Due to this revision to the applicability criteria between GS and GSD, transfers between GS and GSD are somewhat difficult to ascertain and will require individual analysis.

To assist in the analysis of projected customer transfers between GS and standard or optional GSD under the proposed rates, a database was created consisting of 12 months of billing information from 2007 and 2008 for each general service customer. Each customer was analyzed to determine which general service rate schedule would apply under the proposed rate structure, and where options are available as described above, which rate would be most beneficial. The analysis shows that about 1,100 customers would be required to transfer from the present GS to the proposed GSD rate schedule as a result of exceeding the 9,000 kWh threshold. Of these, 300 would be benefited by transfering to the GSD optional rate. The analysis also shows that about 1,000 of the present GSD customers do not exceed the 9,000 kWh threshold and should not elect to remain under the GSD rate schedule, and therefore should transfer to the GS rate. Tampa Electric has in the past, and will continue to permit any customer who would normally be served under the GS rate

to take service under GSD if such service results in lower bills. All of the transfers determined from this analysis have been reflected in the proposed billing determinants, cost of service analysis, rate design and proposed revenue projections.

Because of the numerous proposed changes, it is important to note that, if some of the proposals are not adopted as proposed, the company requests that it be permitted to test the impacts that the revision(s) would have on transfers. Where transfers are likely to occur, the billing determinants for the affected rate schedules should be revised to reflect the post-transfer effect. This process is laborious and iterative, but it is essential before the final general service rate charges are established to ensure the achieved rates will recover the approved revenue requirement.

TIME-OF-DAY AND LIGHTING SERVICE RATE DESIGN

Q. Please discuss how the proposed general service time-of-day rate design meets the company's objective of designing time-of-day rates to better reflect the cost of providing service.

A. The proposed time-of-day rate calculations result in

greater price differentials between on-peak and off-peak periods, which provide a greater incentive for customers to shift their usage. In addition, the proposed total time-of-day demand charges no longer exceed the standard rate demand charge.

Q. How does the proposed rate design meet the company's objective of consolidating its three lighting service rate schedules into one?

A. Tampa Electric presently provides street and area lighting service under three rate schedules: OL-1, OL-3 and SL-2. OL-1, the company's original area lighting tariff, provides standard lighting offerings. OL-3, which came about after OL-1, provides premium lighting offerings including decorative lighting fixtures and poles. SL-2 provides street lighting offerings, many of which are the same as provided under OL-1. Since the current schedules were first established, the separate tariff agreements associated with these rate schedules have been replaced with a single agreement for use under all three schedules. In addition, the business of providing lighting for street and area service has become more intertwined such that fixtures and poles offered under one rate schedule for one purpose are desired by

customers for another purpose. At times, fixtures and poles originally provided under one rate schedule change use when they are acquired by a subsequent customer. For example, a private road served under OL-3 might be acquired by a county and become a public road, which would normally be served under SL-2, but the current fixtures and poles are not listed for service under SL-2. Sometimes the same fixture and pole are provided under different rate schedules. This has led the company to propose that all lighting service be combined under one lighting rate schedule. Each type of fixture and pole will have one rate regardless of use. Such a change will improve efficiency and understanding for customers and company personnel who market, install and maintain the lights.

Q. Earlier in your direct testimony, you discussed splitting the lighting service into two components, lighting energy and lighting facilities, in the Cost of Service Study. How are the rates for lighting energy designed?

A. The Cost of Service Study shows that lighting energy requires a revenue increase to move closer to parity while lighting facilities are well above parity. The proposed lighting rate design reflects these results.

Specifically, the company is proposing an increase in the lighting energy rate to move that portion of lighting service closer to parity, and to ensure more appropriate cost recovery from customers who take lighting energy but utilize their own facilities (metered lights). In addition, to better reflect the cost of service for these metered customers, the company is proposing the imposition of a separate customer charge for metered lights to cover the cost of metering and billing.

Q. How are the rates for lighting facilities designed?

A. With respect to lighting facilities, the company is proposing that, in instances where multiple rates are offered for the same facilities, the lowest of these rates be applied to all such facilities, with one exception; the presently reduced rate for additional lights on a pole. The company is proposing the elimination of such reduced rates and all lights of the same type, whether the first or an additional light on a pole, be priced at the same rate. In addition, the company is proposing to reduce the rates of certain offerings because the current rate exceeds incremental costs. Finally, certain lighting facility offerings and the revised Tri-Partite Agreement have been eliminated or

restricted to reflect the lack of customer interest or feasibility of offering. Various changes to the terms and conditions language of the Bright Choices Outdoor Lighting Agreement are being proposed to the company's tariff including the General Rules and Regulations and the proposed LS-1 rate schedule.

Although lighting facilities remain above parity in the Cost of Service Study, the company anticipates replacement of lighting facilities in the near term with newer, more expensive facilities, which will move the cost of that service closer to parity.

With respect to maintenance charges related to lighting facilities, the company proposes to increase charges to reflect maintenance costs shown in the Lighting Incremental Cost Study provided as a supplement to MFR Schedule E-13d. It is important to set maintenance charges at the current incremental cost.

Q. Are there any other miscellaneous tariff changes being proposed?

A. Yes. The tariff now includes a Facilities Rental Agreement that includes a monthly rental factor and

annual termination factors applicable to facilities that the company may agree to lease to customers. These proposed factors reflect the company's proposed cost of capital in this proceeding. The revisions would only apply to new Facilities Rental Agreements and, since the company enters into very few of these agreements, no additional revenues have been projected in the test year.

As part of the rate design process, certain administrative changes have been proposed for language in the tariff to better reflect the design and clarify operations of the rate schedules, including some new term definitions.

Q. Where can the results of the company's total rate design be found?

A. The revenue distribution by rate schedule is shown on MFR Schedule E-13a, supported by the detailed billing calculations in MFR Schedules E-13c and E-13d. The effect on customers' typical bills is shown on MFR Schedule A-2.

Q. Please provide a summary of the company's proposed rates Cost of Service Studies and rate design.

A. The company identified three primary goals for the proposed rate design changes in this case: 1) provide cost-effective interruptible service offerings, 2) implement a conservation-oriented price incentive for residential service, and 3) create a single lighting service rate schedule for all lighting customers of the company. These goals have been achieved in the cost of service and rate design work described herein.

The company proposes that a 12 CP and 25 percent AD cost of service methodology be utilized for the Cost of Service Study used to support the rate design because it appropriately captures the production cost impact of Tampa Electric's investment in generation and associated variable cost of operation represents cost allocations when considering how power plants are planned and operated in Florida. Further, the company used the cost of service results to move rate classes close to overall system return parity which is an important factor considered in designing the proposed rates.

It is important that the new rate schedules consider 1) cost to serve the various classes, 2) rate history, 3) public acceptance of rate structures, 4) customer understanding and ease of application, 5) consumption and

load characteristics of the classes, and 6) revenue stability and continuity. With these considerations in mind, Tampa Electric is proposing to: 1) invert base rate energy charges for standard residential service, 2) close the IS rates and transfer current IS customers to service under a new GSD rate schedule with interruptible credits provided under the GSLM-2 and GSLM-3 interruptible rate riders, 3) eliminate duplicative demand billed general service rate schedules and combine all such service under one rate schedule, 4) design time-of-day rates for the GS rate schedules to provide a greater incentive to shift energy consumption off-peak, and 5) combine the three existing lighting rate schedules into one with more efficient and understandable rate offerings.

The company's proposed service charge rate design provides three new service charges, including two that, if approved, will provide a beneficial convenience service option for customers seeking to reconnect electric service after normal business hours.

Overall, the proposed rate schedules present new rates designed to produce $228,196,000 in additional revenues consisting of $221,380,000 of additional billed electric base sales revenues, negative $301,000 of additional

unbilled electric base sales revenues, and $7,117,000 of additional service charge revenues. The proposed rates total the company's revenue requirements.

Q. Does this conclude your direct testimony?

A. Yes, it does.

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EXHIBIT

OF

WILLIAM R. ASHBURN

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MINIMUM FILING REQUIREMENT SCHEDULES

SPONSORED OR CO-SPONSORED BY WILLIAM R. ASHBURN

MFR Schedule	Title
A-2	Full Revenue Requirements Bill Comparison - Typical Monthly Bills
A-3	Summary Of Tariffs
B-1	Adjusted Rate Base
B-6	Jurisdictional Separation Factors - Rate Base
B-15	Property Held For Future Use - 13 Month Average
B-17	Working Capital - 13 Month Average
C-1	Adjusted Jurisdictional Net Operating Income
C-3	Jurisdictional Net Operating Income Adjustments
C-4	Jurisdictional Separation Factors - Net Operating Income
C-5	Operating Revenues Detail
C-13	Miscellaneous General Expenses
C-14	Advertising Expenses
C-15	Industry Association Dues
C-20	Taxes Other Than Income Taxes
C-38	O&M Adjustments By Function

MFR Schedule	Title
E-1	Cost Of Service Studies
E-2	Explanation Of Variations From Cost Of Service Study Approved In Company's Last Rate Case
E-3a	Cost Of Service Study - Allocation Of Rate Base Components To Rate Schedule
E-3b	Cost Of Service Study - Allocation Of Expense Components To Rate Schedule
E-4a	Cost Of Service Study - Functionalization And Classification Of Rate Base
E-4b	Cost Of Service Study - Functionalization And Classification Of Expenses
E-5	Source And Amount Of Revenues - At Present And Proposed Rates
E-6a	Cost Of Service Study - Unit Costs Present Rates
E-6b	Cost Of Service Study - Unit Costs Proposed Rates
E-7	Development Of Service Charges
E-8	Company - Proposed Allocation Of The Rate Increase By Rate Class
E-9	Cost Of Service - Load Data

MFR Schedule	Title
E-10	Cost Of Service Study - Development Of Allocation Factors
E-11	Development Of Coincident And Non-Coincident Demands For Cost Study
E-12	Adjustment To Test Year Unbilled Revenue
E-13a	Revenue From Sale Of Electricity By Rate Schedule
E-13b	Revenues By Rate Schedule - Service Charges (Account 451)
E-13c	Base Revenue By Rate Schedule - Calculations
E-13d	Revenue By Rate Schedule - Lighting Schedule Calculation
E-14	Proposed Tariff Sheets And Support For Charges
E-15	Projected Billing Determinants - Derivation
F-8	Assumptions

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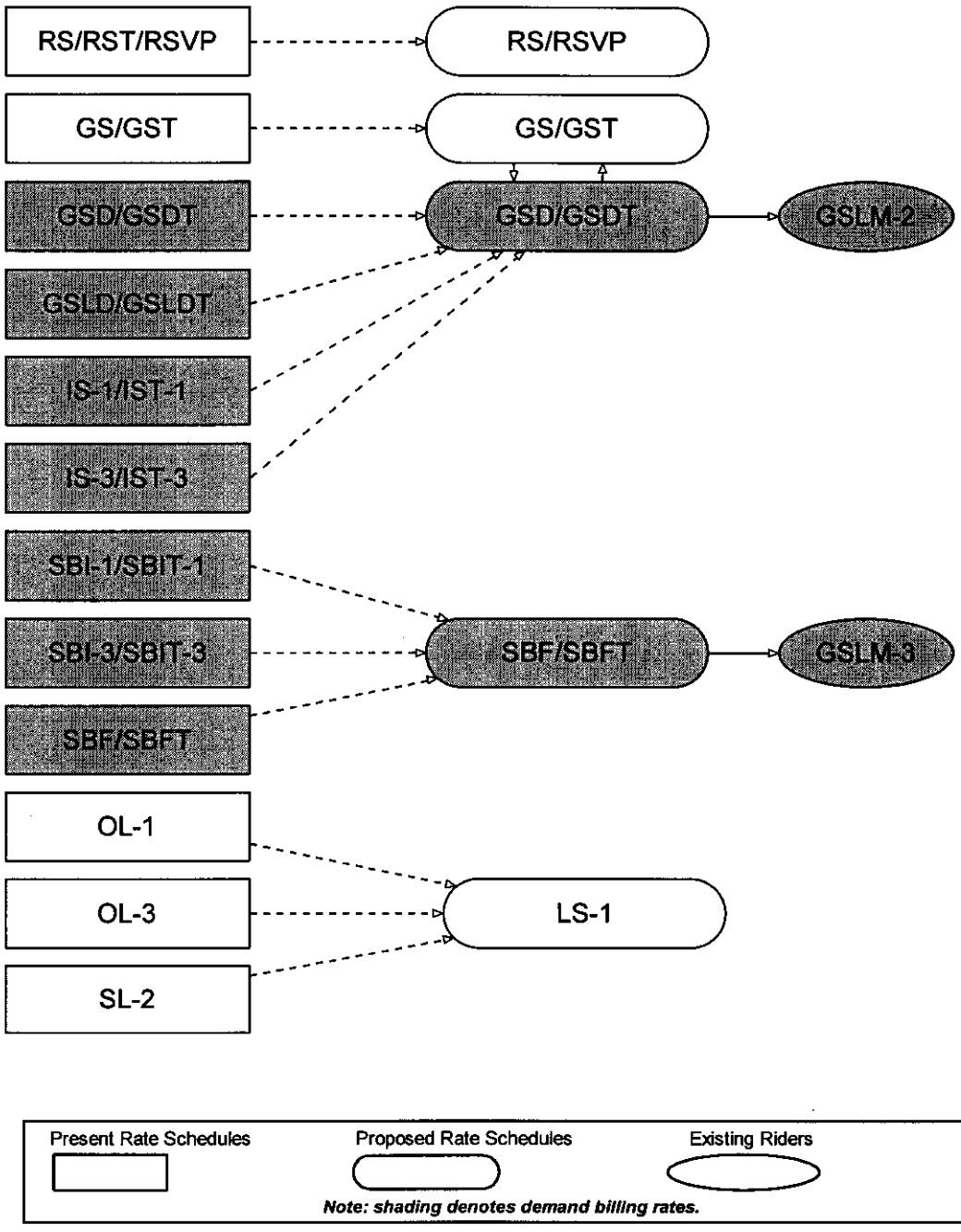
Proposed Rate Schedule Changes



COMPARISON OF CLASS ALLOCATED COST OF SERVICE STUDY RESULTS
TEST PERIOD: 2009
($000)

Rate Class	Class Sales Revenue Requirement: Cost of Service 12 CP & 1/13th AD Prod. Cap. Alloc. Method	Class Sales Revenue Requirement: Cost of Service 12 CP & 25% AD Prod. Cap. Alloc. Method	Total Difference: $	Total Difference: %
Residential (RS)	582,239	575,347	(6,892)	-1.2%
General Service Non-Demand (GS)	62,943	62,407	(536)	-0.9%
General Service Demand (GSD)	375,370	382,057	6,687	1.8%
Lighting Service (LS)				
Energy	6,104	6,845	741	12.1%
Facilities	32,549	32,549	-	0.0%
Subtotal:	38,653	39,394	741	1.9%
Total	**1,059,205**	**1,059,205**	**-**	**0.0%**

Note: Cost of service information is shown for the rate classes of the proposed rate structure. The amounts reflect additional revenue credits from proposed service charges and the effect of the proposed increase on unbilled revenues.

DEVELOPMENT OF TARGET PROPOSED REVENUE INCREASE BY CLASS
TEST PERIOD: 2009
($000)

Rate Class	(A) Cost of Service Reflecting IS Rate Restructure 12CP & 25% AD	(B) Proposed Additional Revenue Credits	(C) Class Sales Revenue Requirement	(D) Present Class Sales Revenue	(E) Base Rev Adj. for IS Restructure	(F) Adjusted Present Class Sales Revenue	(G) Adjusted Class Sales Revenue Deficiency $	(H) Deficiency %	(I) Proposed Adjusted Class Sales Revenue Increase $	(J) Increase %	(K) Proposed Class Sales Revenue	(L) Revenue Req. Index	(M) Unbilled Revenue Adjustment For Effect Of Proposed Rates	(N) Targeted Proposed Class Sales Revenue
			(A) + (B)		(A)	(D) + (E)	(C) - (F)	(G) / (F)	(B)	(I) / (F)	(F) + (I)	(K) / (C)		(K) - (M)
I. Residential (RS)	580,736	(6,094)	574,642	454,812	-	454,812	119,830	26.3%	113,226	24.9%	568,038	0.99	(137)	568,175
II. General Service -														
Non-Demand (GS)	65,463	(835)	64,628	53,970	-	53,970	10,658	19.7%	13,436	24.9%	67,406	1.04	(17)	67,423
Total: I + II	646,199	(6,929)	639,270	508,782	-	508,782	130,488	25.6%	126,662	24.9%	635,444	0.99	(154)	635,598
III. General Service -														
Demand (GSD)	241,341	(184)	241,157	192,520	-	192,520	48,637	25.3%						
IV. General Service -														
Large Demand (GSLD)	96,875	(3)	96,872	73,686	-	73,686	23,186	31.5%						
V. Interruptible														
General Service (IS)	42,219	(1)	42,218	21,915	-	21,915	20,303	92.6%						
Total: III + IV + V	380,435	(188)	380,247	288,121	-	288,121	92,126	32.0%	89,425	31.0%	377,546	0.99	(144)	377,690
VI. Lighting Service (SL,OL)														
A. Energy	6,830	-	6,830	4,683	-	4,683	2,147	45.8%	2,084	44.5%	6,767	0.99	(3)	6,770
B. Facilities	32,554	-	32,554	36,265	-	36,265	(3,711)	-10.2%	2,879	7.9%	39,144	1.20	-	39,144
Total: VI.	39,384	-	39,384	40,948	-	40,948	(1,564)	-3.8%	4,963	12.1%	45,911	1.17	(3)	45,914
Grand Total	1,066,018	(7,117)	1,058,901	837,851	-	837,851	221,050	26.4%	221,050	26.4%	1,058,901	1.00	(301)	1,059,202

Notes:
Under the IS rate restructuring proposal, adjustments shown are those amounts for which base revenues would be required to change to offset the implementation of proposed GSLM customer credits recovered through the ECCR clause. The adjustments reflect GSLM-2 and GSLM-3 payments of $ 22,698,235 to interruptible customers and recovered from all rate classes on the basis of the 12 CP and 25% AD production capacity allocation method.

Proposed class revenue increases determined by (1) assigning proposed revenue changes to Lighting Facilities to accomplish restructuring of Lighting Rate Schedules and effecting current level fixture and pole maintenance charges, and (2) allocating remainder of required revenue increase among (a) combined groups I&II, (b) combined groups III,IV,&V and (c) Lighting Energy VI.A. in proportion to each groupings adjusted sales revenue deficiency of column (G).

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SUMMARY OF RESULTANT PROPOSED CLASS PARITY RATIOS AND RATES OF RETURN
TEST PERIOD: 2009
($000)

Rate Class	Class Cost of Service 12 CP & 25% AD w/Proposed Rev. Cr.	Proposed Class Sales Revenue	Class Parity Ratio (B) / (A)	Class Rate of Return at Proposed Rates	Class Rate of Return Index (D) / Total (D)
Residential (RS)	575,347	567,758	0.99	8.59%	0.97
General Service Non-Demand (GS)	62,407	64,651	1.04	9.45%	1.07
General Service Demand (GSD)	382,057	380,910	1.00	8.77%	0.99
Lighting Service (LS)					
Energy	6,845	6,768	0.99	8.60%	0.98
Facilities	32,549	39,143	1.20	12.83%	1.45
Subtotal	39,394	45,911	1.17	12.09%	1.37
Grand Total	**1,059,205**	**1,059,230**	**1.00**	**8.82%**	**1.00**

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