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August 15, 2013

HAND DELIVERED

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

RECEIVED - FPSC
13 AUG 15 AM 11:42
COMMISSION CLERK

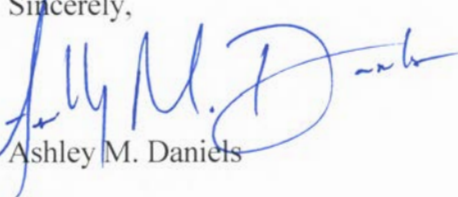
Re: Petition for Rate Increase by Tampa Electric Company
FPSC Docket No. 130040-EI

Dear Ms. Cole:

Enclosed for filing in the above proceeding are the original and twenty (20) copies of three revised pages of Tampa Electric Company's witness Terry Deason's Rebuttal Testimony. On page 25, line 18, the word "Was" was changed to "Were"; on page 32, line 14, the word "three" was removed; and on page 39, line 8, the word "would" was inserted. We would appreciate your circulating the enclosed Revised Rebuttal Testimony pages to the recipients of the initial filing.

Please acknowledge receipt and filing of the above by stamping the duplicate copy of this letter and returning same to this writer.

Thank you for your assistance in connection with this matter.

Sincerely,

Ashley M. Daniels

COM	5
AFD	2
APA	2
ECO	6
ENG	2
GCL	2
IDM	
TEL	
CLK	1 ct. rep

AMD/pp
Enclosure

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

1 greater detail below, FPL has properly
 2 allocated pro-rata adjustments to all sources
 3 of capital.

4
 5 The Commission went on to give three reasons why it was
 6 making all allocations on a pro rata basis, citing the
 7 need to be consistent with cost recovery clause
 8 treatment, concerns over potential normalization
 9 violations, and a lack of materiality. The Commission
 10 did direct staff to conduct a generic review of its
 11 allocation policy.

12
 13 **Q.** Did such a review take place?

14
 15 **A.** Yes, there was a workshop conducted by staff on May 12,
 16 2010.

17
 18 **Q.** Were there any changes made by the Commission in its
 19 allocation methodology as a result of this workshop?

20
 21 **A.** No, not to my knowledge.

22
 23 **OPERATIONS & MAINTENANCE (O&M) EXPENSES**

24 **Q.** What does witness Kollen recommend in regard to Tampa
 25 Electric's O&M expenses?

1 O&M Benchmark to scrutinize expenses and consider Tampa
2 Electric's justifications for its 2014 projected expense
3 levels. The goal is to set 2014 expense levels that are
4 reasonable and necessary to provide safe, efficient, and
5 reliable service on a going forward basis.
6

7 **Q.** What consideration do you believe should be given to the
8 level of O&M expenses incurred by Tampa Electric in 2011
9 and 2012?
10

11 **A.** I think the commission should consider those expense
12 levels as it evaluates the company's proposed level of
13 O&M expenses in the 2014 test year, but should keep those
14 historical years in perspective. Several of the
15 company's witnesses have explained that the company's
16 revenues for 2011 and 2012 were much lower than
17 anticipated due to weather, economic conditions and
18 changes in customer usage patterns. The company
19 responded to these unexpected changes by taking
20 extraordinary steps to reduce O&M expenses to maintain
21 the financial health of the company. I would encourage
22 the commission to evaluate the company's levels of O&M
23 spending in light of what was happening to the company in
24 those years and to refrain from adjusting test year O&M
25 expenses based on comparisons to 2011 and 2012 or

1 Q. What is the nature of their recommended disallowances for
2 Tampa Electric's PSP?

3
4 A. Witness Kollen makes a "bottoms-up" adjustment to Tampa
5 Electric's 2014 O&M expenses to disallow \$5.034 million
6 of Tampa Electric's PSP expense. The basis for his
7 adjustment ignores the operational part of Tampa
8 Electric's PSP and would limit PSP expense to only the
9 two percent attributable to safety related goals. He
10 once again uses 2012 as his base year and observes that
11 only safety related payouts were made in 2012.

12
13 Witness Schultz takes a similar approach and limits PSP
14 expense to the two percent attributable to safety related
15 goals. He recommends a disallowance of \$5.987 million
16 attributable to Tampa Electric, in effect allowing only
17 two percent of his recommended payroll expense as PSP.
18 He then further disallows \$1,837 of PSP allocated from
19 TECO Energy, for a total disallowance of \$7.818 million
20 (jurisdictional). Witness Schultz also offers an
21 alternative recommendation. In his alternative, he
22 eliminates all of the PSP expense attributable to
23 operational goals and then recommends that the remainder
24 be shared equally between stockholders and customers.
25 This results in a total recommended disallowance of