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

TECO.
TAMPA ELECTRIC

REBUTTAL TESTIMONY AND EXHIBIT
OF
REGAN B. HAINES

TECO

TAMPA ELECTRIC

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

REBUTTAL TESTIMONY AND EXHIBIT

OF

REGAN B. HAINES

TABLE OF CONTENTS

REBUTTAL TESTIMONY AND EXHIBIT

OF

REGAN B. HAINES

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

REBUTTAL TESTIMONY

OF

REGAN B. HAINES

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

A. My name is Regan B. Haines. My business address is 702 North Franklin Street, Tampa, Florida 33602. I am employed by Tampa Electric Company ("Tampa Electric" or "company") as Director, Engineering in the Energy Delivery Department.

Q. Are you the same Regan B. Haines that filed Direct Testimony in this proceeding?

A. Yes, I am.

Q. What is the purpose of your rebuttal testimony in this proceeding?

A. The purpose of my rebuttal testimony is to address serious errors and shortcomings in opposition to certain aspects of Tampa Electric's Petition for an Increase in

Base Rates made by Helmuth W. Shultz, III and Hugh Larkin, Jr., both on behalf of the Office of Public Counsel ("OPC") and by Jeffry Pollock on behalf of The Florida Industrial Power Users Group ("FIPUG") in testimony filed on November 26, 2008.

Q. Have you prepared an exhibit supporting your rebuttal testimony?

A. Yes, I have. My Rebuttal Exhibit No.__ (RBH-2) consists of the following two documents, which were prepared by me or under my direction and supervision:

Document No. 1	2009 Substation Preventive Maintenance
Document No. 2	2002 through 2008 SAIDI Goals and Performance

Q. Please summarize the key concerns and disagreements you have regarding the substance of witness Shultz's testimony.

A. Mr. Shultz's testimony, at pages 21 through 27, narrowly objects to four aspects of Tampa Electric's proposed transmission and distribution maintenance programs for 1) tree trimming, 2) pole inspections, 3) transmission inspections, and 4) substation preventative maintenance.

He also reaches incorrect conclusions about reliability incentive compensation targets. The recommendations proposed by Mr. Shultz are based on inaccurate information and, therefore, his recommended adjustments to Tampa Electric's base rate increase are incorrect and inappropriate.

TREE TRIMMING

Q. What is your response to Mr. Shultz's objection to Tampa Electric's proposed tree trimming expenditures?

A. Although I have numerous issues with Mr. Schultz's objections to the company's tree trimming practices and projected expenses, he is correct in his assessment on page 21 of his direct testimony that the transmission request is reasonable. However, throughout his testimony, Mr. Shultz fails to recognize and discuss the reasons that Tampa Electric has committed to meet its Commission-required three-year distribution tree trim cycle by 2010. As stated in my direct testimony, "Tampa Electric is increasing its vegetation management program to establish and maintain a three-year distribution system trimming cycle in order to comply with the Commission's requirements for storm hardening." Tampa Electric's commitment and this requirement is the result of many workshops and due diligence by this Commission on the benefits of tree trimming as it relates to storm hardening and reducing outages and improving restoration following a major storm event. Tampa Electric has testified previously on its experiences with hurricanes and the damage that trees cause. The company believes and agrees with the Commission that investing in additional tree trimming activity now should reduce the number of outages and possibly reduce overall restoration costs following a major storm event.

Q. Did Mr. Schultz fairly represent the funding levels for tree trimming approved in the company's last base rate proceeding 16 years ago?

A. No. While Tampa Electric did request funding for a two-year tree trim cycle in its last base rate proceeding in 1992, the Commission actually approved funding to support a four-year cycle. Since that time, there have been years when the company was able to trim more than 25 percent of its system (equal to a four-year cycle) and some years when the company trimmed less. Many factors are considered and weighed each year such as the circuits requiring trimming and other maintenance programs. Since the company's last rate proceeding, the impacts of increased hurricane activity have been a major focal point for this Commission and the need for increased tree trimming has been debated and reestablished.

Q. Do you agree with Mr. Schultz assessment that the costs for distribution tree trimming are excessive?

A. No I do not. In my direct testimony, I partially attribute increased contractor rates to escalated fuel costs but I also state, "per unit costs for vegetation management have also grown at a faster pace than inflation. This is primarily due to the competition for resources as all electric utilities are responding to this Commission's policies requiring more aggressive tree trimming activity as well as increasing contractor rates mainly caused by escalating fuel costs." My point is that contractor rates have increased at a greater rate than CPI due to increased demand for these resources and increased fuel costs. The company based its 2009 projected expenditures on known contract rates along with other reasonable cost estimates.

Q. Do you agree with Mr. Schultz's statement on page 22 that the company "does not know how many miles on the system actually requires trimming per year"?

A. No. That is an outrageous allegation. Of course the company knows how many miles are in its system and what needs to be trimmed. Mr. Shultz's recommendation that the company receive approval for funding only 1,530 miles per year is equally incorrect. Not only is the logic he uses to calculate the miles flawed, but such an adjustment would place the company on a four-year tree trim cycle which conflicts with this Commission's storm hardening order.

Q. Please describe the company's plan in more detail and be more specific as to how Mr. Schultz's recommendation contradicts it.

A. Tampa Electric's vegetation management program includes trimming approximately one-third of its distribution system or 2,040 circuit miles each year on average. Mr. Shultz states that the company trimming all 6,121 miles of overhead distribution lines is not required because trees do not exist along all the miles. While this is true, this is not how the company has historically tracked or reported miles trimmed to the Commission. Tree conditions can change from year to year due to different tree species growth rates, amount of rain, and tree removals and additions. Because of these factors, the company physically inspects every mile of its system regardless of whether it trims trees every three years. The number of miles trimmed each year by the company and reported to the Commission reflects the total miles inspected and/or trimmed which includes some miles that have no vegetation. Therefore, Mr. Shultz's suggestion that the actual miles requiring trimming and associated costs should be adjusted is inaccurate and inconsistent with how the company reports miles trimmed. The $7,897 cost per mile figure that Mr. Shultz references is a total cost which includes both circuit miles with and without trees. To translate that cost to only those circuit miles with trees would result in a significantly higher cost per mile.

Q. Based on recent experience, do you have any reason to believe that the company's estimated costs for 2009 are not reasonable?

A. No. In 2007, the company spent approximately $10.3 million and trimmed roughly 22 percent of its distribution system. Applying a four percent contractor increase each year, the company would need $11.2 million to trim 22 percent. Given recent experience with costs, it is very reasonable to expect that $16 million will be required to trim approximately 33 percent of the distribution system by 2010. In 2009, the company plans to ramp up the additional tree trim resources needed to trim 29 percent of the distribution system. The company supports this Commission's policies with respect to a three-year trim cycle and believes it creates the right balance to minimize the number of outages following a major storm event.

POLE AND TRANSMISSION STRUCTURE INSPECTIONS

Q. What is your response to Mr. Shultz's objection to the company's proposed pole inspection program?

A. As with tree trimming, Mr. Schultz completely ignores Commission directives. Tampa Electric's pole inspection plan was filed and approved by the Commission in Order No. PSC-06-0778-PAA-EU issued on September 18, 2006. The proposed budget for the 2009 pole inspection program is appropriate and necessary to meet the Commission's requirements.

Mr. Shultz's attempt to reduce the company's request by using 2007 per unit cost information to project 2009 cost requirements is flawed for several reasons. First, the $30.63 average cost per pole inspection in 2007 used by

Mr. Shultz does not include the comprehensive pole loading analysis the company is required to do for all joint use poles, which was included in the company's 2009 pole inspection budget. Secondly, the contractor used by the company to perform this work has escalated its rates at a greater rate than the index referenced by Mr. Shultz. Finally, the 40,750 poles to be inspected each year include both distribution and transmission poles which have different rates. Thus far in 2008, the company has experienced a rate of $33.03 per distribution pole inspection. Once a four percent contractor price increase is factored in, the projected 2009 cost per distribution pole inspection will increase to $34.35. When this is applied to the 37,500 distribution poles to be inspected annually (one-eighth of the system), the proposed budget is $1,288,170. Finally, when the budgeted $147,844 for transmission pole inspections and $95,892 for comprehensive loading analysis are included, the total 2009 budget is reasonable. The company's estimate is based on actual rates rather than the arbitrarily adjusted rates used by Mr. Schultz. He is simply asking the Commission to ignore reality.

Q. What is your response to Mr. Shultz's objection to the company's proposed transmission structure inspection program?

A. Once again, Mr. Schultz ignores this Commission's orders. Transmission structure inspections and repair is another element of the Commission's storm hardening requirements. The company's transmission structure inspection program was filed and approved by the Commission as part of its Ten Point Storm Hardening Plan, in Order No. PSC-06-0144-PAA-EI issued December 28, 2007 in Docket No. 070927-EI.

Because transmission structure inspection activities have increased for all utilities in the state, the costs for these inspections have increased significantly since 2005. The new inspection requirements were first put into place in 2007 and now include infrared and above-ground type inspections which were not performed in all of the years that Mr. Shultz utilized in his cost averaging. The costs of infrared and above-ground inspections have increased by 33 percent and 28 percent, respectively, since 2005.

The company's 2009 budget also includes $29,000 for lattice tower inspections, something that has not been performed recently but is now required for the foreseeable future given the aging infrastructure.

Finally, while the transmission structure inspections have been occurring since the Commission's storm hardening rules were first established, all of the identified repairs as a result of the inspections must now be made. The company expects that it will need $300,000 annually to make these repairs.

Q. Based on recent experience, do you have any reason to believe that the company's estimated costs for 2009 for pole and transmission structure inspections are not reasonable?

A. No, I do not. These estimated costs remain reasonable and should be used in establishing the company's revenue requirements in this proceeding.

SUBSTATION PREVENTIVE MAINTENANCE

Q. What is your response to Mr. Shultz's objection to the company's proposed substation preventive maintenance program?

A. There are several elements of Mr. Shultz's testimony related to substation maintenance that are misleading. First, the 2007 costs he references are not representative of all activities that are needed in 2009.

Two thousand seven was not a typical year for circuit breaker maintenance; therefore, it is misleading to use it to project 2009 costs. For example, there were 23 fewer circuit breakers that needed to be maintained than in 2009 at an additional cost of $28,000. There were also changes made for classifying oil test costs from corrective maintenance to preventative maintenance late in 2007 that creates an apples and oranges comparison. This change amounts to an additional $17,000 needed in 2009. Finally, the contractor costs for North American Electric Reliability Corporation ("NERC") required relay testing have increased at a higher rate than CPI and also at a higher rate than was experienced in 2007, resulting in additional costs of $80,000 in 2009. Given the extensiveness of NERC's relay standards and the lessons learned from testing, Tampa Electric plans to test all of its relays. The yearly additional cost is $429,000 which includes two additional relay testers that have been included in headcount numbers.

Finally for 2008 and 2009, the substation condition-based preventative maintenance included annual substation inspection costs, but the 2003 through 2007 historical costs did not. For comparison purposes, 2009 condition-based preventative substation maintenance should be

$1,979,010 as shown in Document No. 1 of my rebuttal exhibit.

Q. Based on recent experience, do you have any reason to believe that the company's estimated costs for 2009 for substation preventive maintenance are not reasonable?

A. No. In fact, based on the company's experience in 2008, the costs are most likely understated.

SAIDI INCENTIVE COMPENSATION TARGETS

Q. Do you agree with Mr. Shultz's claims that the company's SAIDI incentive compensation goal targets are set such that employees are not required to improve their performance?

A. No, I do not. Mr. Shultz's assertion that the company sets its SAIDI reliability goal in such a manner that employees are not required to improve their performance or the service provided to our customers shows a lack of appreciation and understanding of electric operations. While Tampa Electric witness Dianne Merrill addresses incentive compensation in her rebuttal testimony, I will provide more detail on how the goal is set and elements that can have a significant impact on actual achievement.

Document No. 2 of my rebuttal exhibit illustrates the company's SAIDI goals and actual performance since 2002. The company's SAIDI performance varies significantly from year to year and there are numerous drivers as shown in Document No. 2. Certainly the severity of storm season has an impact and this does not just include hurricanes. The Tampa Bay area is the lightning capital of the world and summer storms can significantly impact SAIDI. For example, in 2003 outage totals increased over 2002 totals by 369 outages (three percent) due to extensive severe weather.

Operational changes and system enhancements can greatly impact reliability results. For example in late 2001, the company migrated to a new outage management system ("OMS") that featured enhanced measuring capabilities over the previous OMS system. These capabilities generally included the ability to more accurately capture customer outages and related outage times. System enhancements also allowed for step-restoration to be captured, which matches the correct number of customers to associated restoration times. Therefore, 2002 represented the first full year using the new OMS system and the company attributes an increase in SAIDI from 2001 to 2002 and 2003 to the new system enhancements. In addition, the company conducted training for the Trouble Department that year which improved their knowledge and use of the new system. Even with these impacts in actual results, the company continued to set aggressive SAIDI goals through 2005 when the impact of the OMS to SAIDI was fully realized.

Q. Do you agree with Mr. Shultz's insinuation that the company sets its goals so that they can easily be met and that employees are not encouraged to improve?

A. Absolutely not. Document No. 2 of my rebuttal exhibit illustrates that the company has only met its SAIDI goal twice since 2002. The company's objective is to set goals that can be accomplished, but are a stretch to do so. The fact that the goals were set at a level which was only met twice since 2002 demonstrates how high the bar has been set to encourage improvement.

Operational improvements are constantly encouraged at Tampa Electric. As I highlighted in my direct testimony, the company has accomplished top quartile performance compared to peer utilities since 2002 because of several recently implemented programs designed to improve system reliability. Mr. Schultz is completely wrong to conclude that goals are set so that they can be easily met and employees are not encouraged to improve.

TRANSMISSION BASE RATE ADJUSTMENT

Q. Please summarize the key concerns and disagreements you have regarding the substance of witness Larkin's testimony concerning the company's proposed Transmission Base Rate Adjustment ("TBRA") clause.

A. There are two primary areas where I disagree with Mr. Larkin's testimony. First the Federal Energy Regulatory Commission ("FERC"), NERC, and the Florida Reliability Coordinating Council ("FRCC") significantly impact Tampa Electric's transmission construction planning and costs. Second, the appropriateness of a TBRA is consistent with that of other cost adjustment clauses.

Q. Please explain how the FERC, NERC, and FRCC can have a direct impact on Tampa Electric's transmission construction costs.

A. The FERC, NERC and FRCC's impact on the company's transmission planning and associated costs have significantly changed in recent years. NERC's reliability standards dictate the planning and operating criteria for the transmission system that all utilities must meet. The criteria can and does have a direct impact on what transmission gets constructed and when it is required.

Under the Energy Policy Act of 2005, the FERC has the right to mandate reliability standards and enforce them in multiple ways including by assessing civil penalties for non-compliance. In 2007, the FERC approved the delegation of compliance, monitoring, and enforcement of reliability standards for Florida from the NERC to the FRCC. Given this, transmission projects identified and required to meet these reliability standards must be constructed and they must be completed in a proper timeframe to meet the NERC criteria. This is analogous to a government mandate. There is no flexibility with meeting these reliability standards. In addition, the Commission looks to the FRCC to provide input on the reliability of the transmission grid in Florida and recent history shows their support of projects recommended by the FRCC.

Q. Are there any other impacts from the FERC, NERC, or FRCC that make transmission construction costs difficult to anticipate?

A. Yes. While at one time transmission planning and construction was as Mr. Pollock describes on page 75 of his testimony, "as a member of the FRCC and the party responsible for constructing new facilities, TECO has some control over the [sic] both the timing and cost", and as Mr. Larkin describes on page 10 of his testimony that "The facilities which are constructed on the Tampa Electric system are fully under the control of the Company and the Florida Public Service Commission", the process has changed and clearly Messrs. Pollock and Larkin have not been updated. While Florida never adopted a regional transmission organization with a cost allocation methodology for the sharing of regional transmission costs, the FRCC did develop a cost allocation methodology in response to FERC Order 890 in December 2007. This methodology is a settlement structure that parties agree to use when there are third party impacts resulting in the construction of new transmission facilities. Under the methodology, costs are allocated among multiple entities who contribute to the need for the third party facilities and who benefit from their construction. While this methodology is meant to allow for a fair allocation of costs based on who is causing the impact, the allocation of these costs will be an involved process among multiple parties and it will be very difficult to predict each party's share or cost responsibility.

Another unpredictable aspect for planning and constructing transmission facilities is the FERC transmission tariff mandate that a transmission provider build transmission needed for generator interconnection requests for firm transmission service. As existing transmission capacity has been consumed over the last few years with these requests for generator interconnection and firm transmission service, new requests are requiring the construction of new transmission facilities. These requests are not predictable in nature but the construction of the facilities requested is necessary to maintain safe and reliable electric service in peninsular Florida.

Q. Please comment on Mr. Pollock's statement, on page 76 of his testimony, that "transmission plant additions will be offset to some degree by the growth in revenues stemming from growing electricity sales."

A. Mr. Pollock is incorrect. While there could be some peripheral benefits, the primary benefits come by way of reliability and possibly lower fuel costs from off-system purchases and sales.

Q. How is the TBRA similar to other cost recovery clauses?

A. I am not an expert on cost recovery clauses and Tampa Electric witness Jeffrey Chronister will address this issue in more detail in his rebuttal testimony. However, Mr. Pollock argues that "costs that are subject to recovery outside of a general rate case should be "material, volatile, and beyond the utility's control" and that transmission investment does not meet these criteria. I disagree. Given the authority of FERC to mandate reliability standards and enforce them with civil penalties, transmission investment can be "beyond the utility's control". Transmission investment can be volatile given third party impacts and the FRCC cost allocation methodology as stated above.

Q. After reading the intervenors' testimony, are you still convinced that a TBRA is a necessary mechanism?

A. Yes I am. The TBRA will result in lower costs by facilitating a coordinated and cost-effective means of planning and constructing transmission for the entire FRCC region. Moreover, this will result in improved reliability and lower fuel costs by enhancing generation dispatch for the entire region.

SUMMARY OF REBUTTAL TESTIMONY

Q. Please summarize your rebuttal testimony.

A. There are several areas of the intervenors' testimony regarding tree trimming and system maintenance and the company's proposed TBRA clause that I address. Mr. Shultz's claim that the proposed tree trimming, pole inspection, and transmission structure maintenance expenses are excessive is not based on accurate information. These three elements of Tampa Electric's storm hardening plan have been reviewed and approved by this Commission and are critical to improving the company's performance following a major storm event. These activities are necessary, prudent and in compliance with the Commission's storm hardening requirements. The costs are based on recent performance and established contractor prices. Mr. Shultz's statements about preventative substation maintenance are inaccurate and the proposed amounts are prudent and will allow Tampa Electric to perform the appropriate levels of relay testing and breaker maintenance to meet NERC relay standards.

In addition, Messrs. Larkin and Pollock have not fairly represented the challenges facing Tampa Electric, the state of Florida, and the country when it comes to the electric transmission grid and the new requirements established by the FERC, NERC, and FRCC. The proposed TBRA clause will allow the company to timely recover its transmission costs associated with 230 kV and above transmission projects submitted for FRCC review. Given the authority of FERC to mandate reliability standards and enforce them with civil penalties, transmission investment can be "beyond the utility's control." Transmission investment can be volatile given unforeseen third party impacts and the FRCC's cost allocation methodology. For these reasons, I believe the TBRA structure is an efficient and effective approach to addressing these new challenges.

Q. Does this conclude your rebuttal testimony?

A. Yes, it does.

REBUTTAL EXHIBIT

OF

REGAN B. HAINES

TABLE OF CONTENTS

TAMPA ELECTRIC COMPANY
DOCKET NO. 080317-EI
REBUTTAL EXHIBIT NO. ____(RBH-2)
WITNESS: HAINES
DOCUMENT NO. 1
PAGE 1 OF 1
FILED: 12/17/08

Tampa Electric Company
Substation Preventative Maintenance Adjustment

Year	Substation Preventative Maintenance
2003	$278,416
2004	$632,671
2005	$633,471
2006	$1,144,387
2007	$1,118,958
2008	$1,302,474
2009	**$1,979,010**

Per OPC	$1,199,425
Additional 2009 Maintenance Items:	
NERC Relay Testing Cost Increase	$80,000
Typical Year CB Maintenance	$28,000
Vacuum CB Maintenance	$225,000
Non-NERC Relay Testing	$429,000
Correct Classification	$17,000
2009 Total	**$1,978,425**

TAMPA ELECTRIC COMPANY
DOCKET NO. 080317-EI
REBUTTAL EXHIBIT NO. ___ (RBH-2)
WITNESS: HAINES
DOCUMENT NO. 2

FILED: 12/17/08

Tampa Electric Company

2002 – 2008 SAIDI Goals and Performance

	2002	2003	2004	2005	2006	2007	2008
SAIDI Goal	69:00	69:00	67:00	67:00	90:00	85:00	89:00
SAIDI Actual	67:18	86:23	100:22*	100:29	83:22	94:56	TBD

* 2004 results exclude impacts from Hurricanes Charley, Frances, and Jeanne