Marguerite McLean

From: DAVIS.PHYLLIS [DAVIS.PHYLLIS@leg.state.fl.us]
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To: Filings@psc.state.fl.us; Cecilia Bradley; James Beasley; Jean Hartman; Jennifer Brubaker; John McWhirter; Keino Young; Lee Willis; Martha Brown; Mike Twomey; Paula Brown; Schef Wright; Vicki K.
Cc: CHRISTENSEN.PATTY; MERCHANT.TRICIA
Subject: OPC 080317-EI Prehearing Statement
Attachments: Citizens' Prehearing Statement 12-23-08.pdf

Electronic Filing

a. Person responsible for this electronic filing:

Patricia A. Christensen, Associate Public Counsel
Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street, Room 812
Tallahassee, FL 32399-1400
(850) 488-9330
Christensen.patty@leg.state.fl.us

b. Docket No. 080317-EI

In Re: Petition for rate increase by Tampa Electric Company

c. Document being filed on behalf of Office of Public Counsel

d. There are a total of 23 pages.

e. The document attached for electronic filing is Citizens' Prehearing Statement

Phyllis W. Philip-Guide
Assistant to Patricia Christensen
850-487-8261

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Tampa Electric Company's Petition for an Increase in Base Rates and Miscellaneous Service Charges ---------------------------------------/	Docket No. 080317-EI Filed: December 23, 2008

CITIZENS' PREHEARING STATEMENT

The Citizens of the State of Florida, by and through the Public Counsel and undersigned counsel, pursuant to Order No. PSC-08-0557-PCO-EI, as modified by Order No. 08-0635-PCO-EI, hereby file this Prehearing Statement in the above-referenced docket.

APPEARANCES:

PATRICIA A. CHRISTENSEN, ESQUIRE
Associate Public Counsel
c/o The Florida Legislature
111 West Madison Street, Room 812
Tallahassee, Florida 32399-1400
On behalf of the Citizens of the State of Florida

(1) WITNESSES:

NAME	ISSUES
Dr. J. Randall Woolridge	Cost of Capital, Capital Costs in Today's Markets, Proxy Group Selection, Capital Structure Ratios and Debt Cost Rates, Cost of Common Equity Capital, Critique of Tampa's Rate of Return Testimony
Hugh Larkin, Jr.	Transmission Base Rate Adjustment Clause, Rate Base, Annualization of Plant-in-Service, Plant in Service Projections, CIS Upgrades, Amortize Dredging O&M, Plant Held for Future Use, Construction Work In Progress, Working Capital Adjustment, Operating and Maintenance Expenses, Storm Damage Accrual, Uncollectible Expense, Capital Structure

Helmuth W. Schultz, III	Payroll, Incentive Compensation, Employee Benefits, Directors & Officers Liability Insurance, Tree Trimming, Pole Inspections, Transmission Inspections, Substation Preventive Maintenance, Generation Maintenance, Rate Case Expense, Office Supplies and Expense, Deferred Income Taxes, Amortization of ITC

(2) EXHIBITS:

Through Dr. J. Randall Woolridge, the Citizens intend to introduce the following exhibits, which can be identified on a composite basis:

Appendix 1	Qualifications
JRW-1	Recommended Rate of Return
JRW-2	Interest Rates
JRW-3	Summary Financial and Risk Statistics for Proxy Group
JRW-4	Capital Structure Ratios and Debt Cost Rate
JRW-5	The Relative Risk of Stocks and Bonds
JRW-6	The Relationship Between Estimated ROE and Market-to Book Ratios
JRW-7	Public Utility Capital Cost Indicators
JRW-8	Industry Average Betas
JRW-9	Three-Stage DCF Model
JRW-10	DCF Study
JRW-11	CAPM Study
JRW-12	Summary of Tampa's Equity Cost Rate Approaches and Results
JRW-13	Analysis of Analysts' EPS Growth Rate Forecasts
JRW-14	Analysis of Value Line's EPS Growth Rate Forecasts
JRW-15	Historic Equity Risk Premium Evaluation

JRW-16 CFO's Equity Risk Premium

Through Mr. Larkin, the Citizens intend to introduce the following schedules, which ban be identified on a composite basis:

Appendix 1		Qualifications
HL-1	A	Revenue Requirement
	A-1	Net Operating Income Multiplier
	B-1	Adjusted Rate Base
	B-2	Annualization Adjustments
	B-3	Adjustments to Plant in Service (Accounts 101 and 106)
	B-4	Adjustments to Accumulated Depreciation & Amortization
	B-5	Working Capital
	B-6	Adjustments to Construction Work in Progress
	C-1	Adjusted Net Operating Income
	C-2	Storm Damage Reserve
	C-3	Uncollectible Expense
	C-4 to C-12	Sponsored by witness Schultz
	C-13	Income Tax Expense
	C-14	Interest Synchronization Adjustment
	D-1	Cost of Capital

Through Mr. Schultz, the Citizens intend to introduce the following schedules, which can be identified on a composite basis:

Appendix 1		Qualifications
HWS-1	C-4	Payroll Adjustment
	C-5	Employee Benefit Adjustment
	C-6	Tree Trimming Adjustment
	C-7	Pole Inspection Adjustment
	C-8	Transmission Inspection Adjustment
	C-9	Substation Preventive Maintenance Adjustment
	C-10	Generation Maintenance Adjustment
	C-11	Rate Case Expense Adjustment

C-12 Office Supplies & Expense Adjustment

(3) STATEMENT OF BASIC POSITION:

Tampa Electric Company's ("Tampa Electric" and "Company") base rate increase of $228 million is grossly overstated. Moreover, the Company's request for a 12.0% return on equity is excessive particularly in today's economy. Close scrutiny of the Company's MFRs shows that only approximately $38.6 million is needed for Tampa Electric to earn a fair rate of return on rate base and to meet operation and maintenance expenses.

As stated above, Tampa Electric's requested return on equity of 12.0% is extremely inflated and unsupported by current market conditions. Under today's market conditions a 9.75% return on equity is reasonable and the correct ROE for this Company as of November 26, 2008. Utilizing the 9.75% ROE, the reasonable and supported overall fair rate of return is 7.33%.

In addition to the cost of capital adjustments to the Company's request, numerous adjustments are warranted to the Company's projected 2009 test year rate base and operating expense. Tampa Electric has significantly overstated certain amounts which if left uncorrected would result in customers paying rates in excess of rates that would be reasonable and necessary to provide safe and reliable service. The Company has also failed to provide documentation sufficient to support the amounts of its requests or the need for the requested items, or both. In addition, Tampa Electric's request to establish a Transmission Base Rate Adjustment mechanism should be denied. There is no need to remove these costs from base rates and create another recovery clause. This request will, in effect, reduce the Company's risk to plan and properly build transmission facilities and provides no benefit to ratepayers.

Based on the adjustments to rate base, cost of capital, and operation and maintenance expense discussed below an overall reduction to Tampa Electric's request of $189 million is warranted. Citizen's adjustments are discussed in detail below.

(4) ISSUES AND POSITIONS

TEST PERIOD

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

OPC: No position at this time.

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

OPC: No position at this time.

QUALITY OF SERVICE

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

OPC: No position at this time.

RATE BASE

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

OPC: No position at this time awaiting evidence adduced through pending discovery and/or adduced at hearing.

Issue 5: Is the pro forma adjustment related to the annualization of five simple cycle combustion turbine units to be placed in service in 2009 appropriate?

OPC: No. Annualizations of plant additions should not be allowed when plant additions are revenue-producing or growth-related assets designed to increase the Company's ability to generate, transmit and deliver additional kilowatt hours of generation. If the Commission allows an adjustment for revenue-producing plant that increases capacity without an adjustment to recognize the increased customers and/or demand, this will overstate the revenue requirements used to create the rates charged to customers. Two of the combustion turbines are to be added in May 2009 and three in September 2009. Thus, the Company's request to annualize the five simple cycle turbines should be denied. A reduction of $130,687,000 to the Company's rate base to reflect the actual in-service dates of the CTs is warranted. (Larkin)

Issue 6: Should an adjustment be made for the credit from CSX for the Big Bend Rail Project?

OPC: Yes.

Issue 7: Is the pro forma adjustment related to the annualization of the Big Bend Rail Project to be placed into service in December 2009 appropriate?

OPC: No. The Big Bend Rail Project is projected to go into service December 2009. The benefit to customers from the rail project can only be a reduction in fuel costs. By annualizing the rail facility for the entire 2009 test year when it will have been in service for a month or less, would allow the Company to earn a return as if the lower fuel costs did not exist in the future periods. Annualization of the rail facility further violates basic ratemaking by ignoring the productive benefit of the facility to the Company when it is fully in service by burdening ratepayers with the carrying costs and allowing the benefits to fall only to the shareholder. A reduction of $44,754,000 to the Company's rate base to reflect the actual in-service date of the rail project is warranted. (Larkin)

Issue 8: Should any adjustments be made to TECO's projected level of plant in service?

OPC: Yes. Based on an analysis of the Company's projected level of plant in service with the actual levels through September 2008, the comparison shows that the Company's projection is overstated. Utilizing the average percentage difference between the projection and actual data (since the overstated projection trending will be carried forward into the 13-month average ending December 31, 2009) results in a reduction to jurisdictional plant in service of $51,969,000 ($53,958,000 total Company). Based on this reduction, depreciation and amortization on a jurisdictional basis should be reduced by $8,187,000 ($8,500,000 total Company).

Issue 9: Should TECO's requested increase in plant in service for the customer information system be approved?

OPC: No. The Customer Information System changes are changes that are routinely done when rate changes are approved such as the annual fuel proceeding or a normal base rate case. Moreover, the anticipated billing changes may not be approved by the Commission. Therefore, the supposedly extraordinary CIS upgrade of $2,445,000 should be denied and depreciation expense decreased by $558,000. (Larkin)

Issue 10: Is TECO's requested level of Plant in Service in the amount of $5,483,474,000 for the 2009 projected test year appropriate?

OPC: No. The amount should reflect the adjustments recommended by OPC in this proceeding. (Larkin)

Issue 11: Is TECO's requested level of accumulated depreciation in the amount of $1,934,489,000 for the 2009 projected test year appropriate?

OPC: No. The reserve is overstated by $8,500,000 total Company ($8,187,000 jurisdictional), (Larkin)

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

OPC: No position at this time awaiting evidence adduced through pending discovery and/or adduced at hearing.

Issue 13: Is TECO's requested level of Construction Work in Progress in the amount of $101,071,000 for the 2009 projected test year appropriate?

OPC: No. Based on an analysis of the Company's projected level of Construction Work in Progress with the actual levels for the first nine months of 2008, the comparison shows that the Company's projection is 1.90% understated. The CWIP balance should be increased by $2,608,000 on a jurisdictional basis, which results in a CWIP balance of $103,679,000. (Larkin)

Issue 14: Is TECO's requested level of Property Held for Future Use in the amount of $37,330,000 for the 2009 projected test year appropriate?

OPC: No. The Company's Property Held for Future Use should be decrease by $2,328,354 on a jurisdictional basis to reflect the change the Company made to accurately reflect all plant placed in service in 2009. (Larkin)

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

OPC: Yes. The Company has failed to provide documentation to support that dredging costs will reach $6.9 million. Historical costs have been significantly less. The Company has not supported that any dredging will occur in 2009 test year. Therefore, the deferred dredging cost balance of $2,657,000 (jurisdictional) should be removed. (Larkin)

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

OPC: Yes. The Company's requested increase in the annual accrual from $4 million to $20 million should be denied. The Company's past history of storm damage and timely recovery along with current Commission policy that prudently incurred incremental storm cost will be recovered in a timely manner are sufficient to handle potential future storm cost, thus an additional accrual is not warranted. Likewise, no increase in the target level of storm damage reserve is warranted as the storm reserve will reach approximately $24 million by 2008 year end. This amount reflects the $38,877,284 increase to the storm reserve due to the Company's eventual capitalized of costs, or charged to reserve for depreciation in 2005. Therefore, operating expense should be reduced by $16 million. Further, working capital should be increased by $8 million to remove the effect of increasing the storm reserve in rate base. (Larkin)

Issue 17: Should an adjustment be made to prepaid pension expense in TECO's calculation of working capital?

OPC: Yes, based on the evidence adduced through pending discovery and/or adduced at hearing. (Larkin)

Issue 18: Should an adjustment be made to working capital related to Account 143-Other Accounts Receivable?

OPC: Yes. The Company has yet to show that all of the accounts receivable in Account 143-Other Accounts Receivable are related to utility services and the cost or revenue associated with these accounts receivable have been included in jurisdictional operating income. The remainder of Other Accounts Receivable in the amount of $10,959,000 on a jurisdictional basis should be removed. (Larkin)

Issue 19: Should an adjustment be made to working capital related to Account 146-Accounts Receivable from Associated Companies?

OPC: Yes. The entire balance of Account 146-Accounts Receivable from Associated Companies of $6,309,000 should be excluded. The Company has not shown that it is directly related to the provision of utility service or necessary for working capital that ratepayers bear. (Larkin)

Issue 20: Should an adjustment be made to rate base for unfunded Other Post-retirement Employee Benefit (OPEB) liability?

OPC: Yes, based on the evidence adduced through pending discovery and/or adduced at hearing.

Issue 21: Should an adjustment be made to TECO's coal inventories?

OPC: Yes. The Company's fuel stock should be reduced by 10% to reflect current reductions which might have occurred in coal, oil, and gas prices. (Larkin)

Issue 22: Should an adjustment be made to TECO's residual oil inventories?

OPC: Yes. The Company's fuel stock should be reduced by 10% to reflect current reductions which might have occurred in coal, oil, and gas prices. (Larkin)

Issue 23: Should an adjustment be made to TECO's distillate oil inventories?

OPC: Yes. The Company's fuel stock should be reduced by 10% to reflect current reductions which might have occurred in coal, oil, and gas prices. (Larkin)

Issue 24: Should an adjustment be made to TECO's natural gas and propane inventories?

OPC: Yes. The Company's fuel stock should be reduced by 10% to reflect current reductions which might have occurred in coal, oil, and gas prices. (Larkin)

Issue 25: Has TECO properly reflected the net overrecoveries or net underrecoveries of fuel and conservation expenses in its calculation of working capital?

OPC: No position at this time awaiting evidence adduced through pending discovery and/or adduced at hearing.

Issue 26: Should unamortized rate case expense be included in Working Capital?

OPC: No. The amount should reflect the adjustment for rate case expense recommended by OPC in this proceeding and the remaining balance should be reduced by one-half as has been the Commission's policy. This will reflect the fact that the balance will be reduced as the rate case expense is collected in rates. (Schultz)

Issue 27: Is TECO's requested level of Working Capital in the amount of ($30,586,000) for the 2009 projected test year appropriate?

OPC: No. The amount should reflect the adjustments recommended by OPC in this proceeding. (Larkin)

Issue 28: Is TECO's requested rate base in the amount of $3,656,800,000 for the 2009 projected test year appropriate?

OPC: No. The amount should reflect the adjustments recommended by OPC in this proceeding.

COST OF CAPITAL

Issue 29: What is the appropriate amount of accumulated deferred taxes to include in the capital structure for the 2009 projected test year?

OPC: The Company should be required to calculate the deferred tax balance on a consistent basis with the methodology employed for at least the last sixteen years. Prior to any change in the methodology employed for calculating the deferred tax balance, the Company should be required to obtain a letter ruling from the IRS that indicates that the change is necessary. (Schultz)

Issue 30: What is the appropriate amount and cost rate of the unamortized investment tax credits to include in the capital structure for the 2009 projected test year?

OPC: The Company's adjustment made to the ITC amortization should be reversed. The Company should be required to identify this amount included in filing and an adjustment made accordingly. (Schultz)

Issue 31: What is the appropriate amount and cost rate for short-term debt for the 2009 projected test year?

OPC: Based on the three-month LIBOR rate (2.15%) plus the financing program fee of 18 basis points (0.18%), a short-term debt cost rate of 2.33% as of November 13, 2008 is appropriate. (Woolridge)

Issue 32: Should the TECO's requested pro forma adjustment to equity to offset off-balance sheet purchased power obligations be approved?

OPC: No. The Company's proposed equity infusions related to the purchase power obligations are improper. Given the recovery mechanism for PPA payments, the financial condition of the Company is not impaired by entering these contracts. Thus, providing incremental revenues through a higher equity ratio and overall rate of return are unnecessary and would result in an unwarranted revenue benefit to the utility. (Woolridge)

Issue 33: What is the appropriate amount and cost rate for long-term debt for the 2009 projected test year?

OPC: As of November 26, 2008, the appropriate long-term debt cost is 6.80%. (Woolridge)

Issue 34: What is the appropriate capital structure for the 2009 projected test year?

OPC: The appropriate common equity ratio is 48.89% which more accurately reflects the Company's past financing, the capitalization of electric utility companies, and removes the improper equity infusions for the PPAs. The appropriate capitalization ratios for the weighted average cost of capital on a regulatory structure basis are as follows: long-term debt at 43.80%; short-term debt at 0.60%; customer deposits at 2.82%; common equity at 42.48%; tax credits-weighted cost at 0.33%; and deferred income taxes at 9.97%. (Woolridge)

Issue 35: Does TECO's requested return on common equity appropriately consider current economic conditions? [FIPUG Issue]

OPC: No. The amount should reflect the adjustments recommended by OPC in this proceeding. (Woolridge)

Issue 36: Does TECO's requested return on common equity appropriately consider its recovery of funds via the Commission's various cost recovery clauses? [FIPUG Issue]

OPC: No. The amount should reflect the adjustments recommended by OPC in this proceeding. (Woolridge)

Issue 44: Has TECO made the appropriate test year adjustments to remove capacity revenues and expenses recoverable through the Capacity Cost Recovery Clause?

OPC: No, depending on the evidence adduced through pending discovery and/or adduced at hearing.

Issue 45: Has TECO made the appropriate test year adjustments to remove environmental revenues and expenses recoverable through the Environmental Cost Recovery Clause?

OPC: No, depending on the evidence adduced through pending discovery and/or adduced at hearing.

Issue 46: Should an adjustment be made to advertising expenses for the 2009 projected test year?

OPC: Yes, depending on the evidence adduced through pending discovery and/or adduced at hearing.

Issue 47: Has TECO made the appropriate adjustments to remove lobbying expenses from the 2009 projected test year?

OPC: No, depending on the evidence adduced through pending discovery and/or adduced at hearing.

Issue 48: Should an adjustment be made to TECO's requested level of Salaries and Employee Benefits for the 2009 projected test year?

OPC: Yes. There are several issues with payroll. First, the overtime dollars included in the filing have not been identified or tracked by the Company. Second, the number of new employees above 2007 historical levels is not justified by the historical data and reduction in expected annual growth. A reduction of $3,568,109 on a jurisdictional basis is warranted. (Schultz)

Issue 49: Should an adjustment be made to Other Post Employment Benefits Expense for the 2009 projected test year?

OPC: Yes. The amount is overstated due to the unjustified number of employees above historical 2007 levels. Second, the Company seeking to increase its 401(k) matching contributions despite today's economic condition is unreasonable. A reduction of $1.991 million to the Company's 2009 401(k) plan is appropriate. Further, the costs shown in the filing may not reflect a proper level of employee contribution, but an adjustment cannot be recommended due the insufficiency of Company's responses. The total reduction to employee benefits should be $1,461,650 ($1,420,208 on a jurisdictional basis) (Schultz)

Issue 50: Should operating expense be reduced to take into account budgeted positions that will be vacant?

OPC: Yes, depending on the evidence adduced through pending discovery and/or adduced at hearing. (Schultz)

Issue 51: Should operating expense be reduced to take into account TECO's initiatives to improve service reliability?

OPC: Yes, depending on the evidence adduced through pending discovery and/or adduced at hearing.

Issue 52: Should operating expense be reduced to remove the cost of TECO's incentive compensation plan?

OPC: Yes. The Company has not shown that the pay is required or designed to attract, retain, and/or motivate employees. The goals and/or targets set are not set to improve performance that benefits customers. Moreover, ratepayers are being requested to pay more than their fair share, even assuming that this type of incentive plan is reasonable. The entire \$11,574,843 (\$11,233,952 on a jurisdictional basis) should be disallowed. However, under no circumstances should ratepayers bear more than 50% of the cost. (Schultz)

Issue 53: Should operating expense be reduced to take into account new generating units added that are maintained under contractual service agreements?

OPC: Yes. (Schultz)

Issue 54: Should an adjustment be made to TECO's generation maintenance expense?

OPC: Yes. The Company did not justify its requested increase above indexed historical 2007 levels. The Company's request is overstated by \$8.48 million (\$8.173 million on a jurisdictional basis). (Schultz)

Issue 55: Should an adjustment be made to TECO's substation preventive maintenance expense?

OPC: Yes. The Company has unreasonably increased its 2009 projected test year levels almost twice the historical 2007 level and three times the last five year average. Since the Company should have been maintaining its system in a safe and reliable manner over the years, the maintenance expense should be based on indexed 2007 historical levels. This results in a reduction of \$1,057,185 (\$973,201 on a jurisdictional basis). (Schultz)

Issue 56: Should an adjustment be made to TECO's request for Dredging expense?

OPC: Yes. The Company has failed to provide documentation to support that dredging cost will reach \$6.9 million. Further, the Company has not supported that any dredging will occur in 2009 test year. Therefore, the operating expense of $1,330,000 for dredging should be removed. (Schultz)

Issue 57: Should an adjustment be made to TECO's Economic Development Expense?

OPC: Yes, depending on the evidence adduced through pending discovery and/or adduced at hearing.

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

OPC: Yes, depending on the evidence adduced through pending discovery and/or adduced at hearing.

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

OPC: Yes, the storm damage accrual should remain at $4,000,000. (Schultz)

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

OPC: Yes, depending on the evidence adduced through pending discovery and/or adduced at hearing.

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

OPC: Yes. The Director's & Officer's Liability (DOL) insurance expense should be removed from rates. It does not provide a benefit to the ratepayers since it is designed to protect shareholders from the Board of Directors' and officers' bad decisions whom the shareholders hired. Further, ratepayers receive none of the proceeds from these types of settlements or decision. Thus, the entire $1,700,908 ($1,605,815 on a jurisdictional basis) for DOL insurance should be removed. At a minimum, should the Commission determine there is some ratepayer benefit, then the DOL expense should be limited to 2003 level of $654,392 reducing the 2009 test year request $1,046,516. (Schultz)

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

OPC: Yes, depending on the evidence adduced through pending discovery and/or adduced at hearing.

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

OPC: Yes. The rate case expense is excessive. Since the Company has not entered into a contract with J.M. Cannell, the $116,000 for his services should be removed. The Huron Consulting Services amount should be reduced to the amount specified in the contract amount of $468,000 from the requested $1.31 million. These recommendations reduce the projected costs from $3.153 million to $2.196 million. Further, rate case expense should be amortized over a five year period instead of three years. Utilizing a five year amortization period results in a reduction to amortization expense of $612,000 and a reduction of $652,000 to the amount included in rate base for unamortized rate case expense. (Schultz)

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

OPC: Yes. The Company's increase of 44% for uncollectible expense for the projected 2009 test year to $7,971,000 over 2007 historical costs of $5,527,000 is unjustified. Using a historical period will give an average of the Company's bad debt write-offs over a longer period of time and reflect a reasonable estimate of what the Company's write-offs will be in future periods. Using the five year average for bad debt expense, results in a reduction of $2,409,000($2,342,000 jurisdictional expense) for uncollectible expense. The revenue conversion factor should also be adjusted to reflect the proposed Bad Debt Factor. (Larkin)

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

OPC: Yes. The Company failed to provide documentation to support its requested 39% increase in 2009 project test year over the 2007 historical level of $8.067 million for office supplies. Therefore, office supplies and expense should be reduced $2.363 million ($2.295 million on a jurisdictional basis) to $8.818 million. (Schultz)

Issue 66: Should an adjustment be made to reduce TECO's tree trimming expense for the 2009 projected test year?

OPC: Yes. The Company's request is overstated for several reasons. First, the increased cost the Company attributed to increased fuel costs at the end of summer 2008 has returned to 2005 levels. Therefore, it is appropriate use the 2005 cost per miles escalated to the projected test year. Second, in the 1993 rate case the Company sought funding for a two year trim cycle that did not materialize. However, from 1998-2000, the Company was close to a three year trim cycle. Therefore, the 1998-2000 combined mileage of 5,382 should be used to determine the annual cost per mile. Using these adjustments, results in a $5,993 rate per mile rate for an annual cost of $12,084,876. This is a reduction to the requested $16,073,444 by $3,988,568. (Schultz)

Issue 67: Should an adjustment be made to reduce TECO's pole inspection expense for the 2009 projected test year?

OPC: Yes. The Company's request for $1,573,778 should be reduced $236,013 to $1,337,765. This reflects an eight year inspection cycle of 40,750 per year, times the indexed the 2007 average cost per pole of $32.83 which represents the most recent annual rate available. (Schultz)

Issue 68: Should an adjustment be made to reduce TECO's transmission inspection expense for the 2009 projected test year?

OPC: Yes. The Company's request for $642,773 should be reduced by $318,846 ($268,233 on a jurisdictional basis) to $323,927. This reflects indexing the 2007 expense of $302,195. (Schultz)

Issue 69: Should an adjustment be made to O&M expenses to normalize the number of outages TECO has included in the 2009 projected test year?

OPC: Yes, depending on the evidence adduced through pending discovery and/or adduced at hearing.

Issue 70: Is the pro forma adjustment related to amortization of CIS costs associated with required rate case modifications appropriate?

OPC: No. The Customer Information System changes are changes that are routinely done when rate changes are approved such as the annual fuel proceeding or a normal base rate case. Moreover, the anticipated billing changes may not be approved by the Commission. Therefore, the supposedly extraordinary CIS upgrade should be denied and the related depreciation expense decreased by $558,000. (Larkin)

Issue 71: Is the pro forma adjustment related to the annualization of five simple cycle combustion turbine units to be placed in service in 2009 appropriate?

OPC: No annualizations of plant additions should be allowed when plant additions are revenue-producing or growth-related assets designed to increase the Company's ability to generate, transmit and deliver additional kilowatt hours of generation. If the Commission allows an adjustment for revenue-producing plant that increases capacity without an adjustment to recognize the increased customers and/or demand, this will overstate the revenue requirements used to create the rates charged to customers. Two of the combustion turbines are to be added in May 2009 and three in September 2009. Thus, the Company's request to annualize the five simple cycle turbines should be denied and the respective O&M, depreciation and tax expenses should be removed.

Issue 72: Is the pro forma adjustment related to the annualization of rail facilities to be placed in service in 2009 appropriate?

OPC: No. The Big Bend Rail Project is projected to go into service December 2009. The benefit to customers from the rail project can only be a reduction in fuel costs. By annualizing the rail facility for the entire 2009 test year when it will have been in service for a month or less, would allow the Company to earn a return as if the lower fuel costs did not exist in the future periods. Annualization of the rail facility further violates basic ratemaking by ignoring the productive benefit of the facility to the Company when it is fully in service by burdening ratepayers with the carrying costs and allowing the benefits to fall only to the shareholder. Thus, the Company's request to annualize the five simple cycle turbines should be denied and the respective depreciation expense should be removed.

Issue 73: Should any adjustments be made to the 2009 test year depreciation expense to reflect the depreciation rates approved by the Commission in Docket No. 070284-EI?

OPC: Yes, depending on the evidence adduced through pending discovery and/or adduced at hearing.

Issue 74: What is the appropriate amount of Depreciation Expense for the 2009 projected test year?

OPC: The appropriate amount is subject to the resolution of other issues. Adjustments are necessary to remove depreciation expense associated with the annualization of the CTs of $5,425,000, the rail project of $906,000, the overstated reserve for depreciation of $8,187,000 and the CIS Upgrade of $558,000.

Issue 75: Should an adjustment be made to Taxes Other Than Income Taxes for the 2009 projected test year?

OPC: Yes. The appropriate amount is subject to the resolution of other issues. Adjustments are necessary to remove taxes other than income associated with the annualization of the CTs of $5,453,000 and the rail project of $1,039,000.

Issue 76: Is it appropriate to make a parent debt adjustment as per Rule 25-14.004, Florida Administrative Code?

OPC: Yes. The Company should be required to make a parent debt adjustment as per Rule 25-14.004, Florida Administrative Code.

Issue 77: Should an adjustment be made to Income Tax expense for the 2009 projected test year?

OPC: Yes, adjustments are appropriate to reflect the recommended interest synchronization adjustment of $3,388,000 and the $29,522,000 impact of OPC's other recommended adjustments. The appropriate amount is subject to the resolution of other issues.

Issue 78: Is TECO's projected Net Operating Income in the amount of $182,970,000 for the 2009 projected test year appropriate?

OPC: No. The amount should reflect the adjustments recommended by OPC and is subject to the resolutions of other issues in this proceeding.

REVENUE REQUIREMENTS

Issue 79: What is the appropriate 2009 projected test year net operating income multiplier for TECO?

OPC: The appropriate net operating income multiplier is 1.633202.

Issue 80: Is TECO's requested annual operating revenue increase of $228,167,000 for the 2009 projected test year appropriate?

OPC: No. The amount should reflect the adjustments recommended by OPC and is subject to the resolutions of other issues in this proceeding.

RATE ISSUES

Issue 81: Did the utility correctly calculate the projected revenues at existing rates?

OPC: No position at this time.

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

OPC: No position at this time.

Issue 83: What is the appropriate retail Cost of Service methodology to be used to allocate base rate and cost recovery costs to rate classes?

OPC: No position at this time.

Issue 84: Should the investment and expenses related to the Polk Unit 1 gasifier and the environmental costs of the Big Bend Unit scrubber be classified as energy or demand?

OPC: No position at this time.

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

OPC: No position at this time.

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

OPC: No position at this time.

Issue 87: Should the interruptible rate schedules IS-1, IS-3, IST-1, IST-3, SBI-1 and SBI-3 be eliminated? If so, how should rates for customers currently taking service on interruptible rate schedules be designed, including whether a credit approach is appropriate, and if so, how such an approach should be implemented?

OPC: No position at this time.

Issue 88: Should the GSD, GSLD and IS rate schedules be combined under a single GSD rate schedule?

OPC: No position at this time.

Issue 89: Is the change in the breakpoint from 49 kW to 9,000 kWh between the GS and GSD rate schedules appropriate?

OPC: No position at this time.

Issue 90: What is the appropriate meter level discount to be applied for billing, and to what billing charges should that discount be applied?

OPC: No position at this time.

Issue 91: Should an inverted base energy rate be approved for the RS rate schedule?

OPC: No position at this time.

Issue 92: Should the existing RST rate schedule be eliminated and the customers currently taking service under the schedule be transferred to service under the RS or RSVP rate schedule?

OPC: No position at this time.

Issue 93: Should TECO's proposed single lighting schedule, and associated charges, terms, and conditions be approved?

OPC: No position at this time.

Issue 94: Are the two new convenience service connection options and associated connection charges appropriate?

OPC: No position at this time.

Issue 95: Are TECO's proposed Reconnect after Disconnect charges at the point of metering and at a point distant from the meter appropriate?

OPC: No position at this time.

Issue 96: Is the proposed new meter tampering charge appropriate?

OPC: No position at this time.

Issue 97: Is the proposed new $5 minimum late payment charge appropriate?

OPC: No position at this time.

Issue 98: What are the appropriate service charges (initial connection, normal reconnect subsequent subscriber, field credit visit, return check)?

OPC: No position at this time.

Issue 99: What is the appropriate temporary service charge?

OPC: No position at this time.

Issue 100: What are the appropriate customer charges?

OPC: No position at this time.

Issue 101: What are the appropriate demand charges?

OPC: No position at this time.

Issue 102: What are the appropriate Standby Service charges?

OPC: No position at this time.

Issue 103: Is TECO's proposed change in the application of the transformer ownership discount appropriate?

OPC: No position at this time.

Issue 104: What is the appropriate transformer ownership discount to be applied for billing?

OPC: No position at this time.

Issue 105: What are the appropriate emergency relay service charges?

OPC: No position at this time.

Issue 106: What are the appropriate contributions in aid for time of use rate customers opting to make a lump sum payment for a time-of-use meter in lieu of a higher time-of-use customer charge?

OPC: No position at this time.

Issue 107: What are the appropriate energy charges?

OPC: No position at this time.

Issue 108: What changes in allocation and rate design should be made to TECO's rates established in Docket Nos. 080001-EI, 080002-EG, and 080007-EI to recognize the decisions in various cost of service rate design issues in this docket?

OPC: No position at this time.

Issue 109: What are the appropriate monthly rental factor and termination factors to be approved for the Facilities Rental Agreement, Appendix A?

OPC: No position at this time.

Issue 110: Is it appropriate to establish a customer specific rate schedule for county (K-12) public schools in this proceeding?

OPC: No position at this time.

Issue 111: What is the appropriate effective date for the rates and charges established in this proceeding?

OPC: No position at this time.

OTHER ISSUES

Issue 112: Should TECO's request to establish a Transmission Base Rate Adjustment mechanism be approved?

OPC: No. Although the costs associated with the existing clauses are within the utility's control, the Commission or the Legislature has decided to diminish the utilities exposure to the under-recovery of these costs. Further, some of the clauses provide a benefit to ratepayers through a reduction of costs. There is no need to remove transmission costs from base rates which will, in effect, reduce the Company's risk to plan and properly build transmission facilities. Given the long time frame required to build transmission, the utility has ample time to request a base rate change if needed. There is also no benefit to ratepayers to remove these costs from base rates. The Company, presently, recovers almost 60% of its revenues through clause, shifting these costs to a clause will also shift risk to ratepayers, and add additional administrative costs unnecessarily. Therefore, the Company request to create this new clause should be denied.

Issue 113: Should TECO be required to file, within 90 days after the date of the final order in this docket, a description of all entries or adjustments to its annual report, rate of return reports, and books and records which will be required as a result of the Commission's findings in this rate case?

OPC: Yes.

Issue 114: Should this docket be closed?

OPC: No at this time.

(5) STIPULATED ISSUES:

The Citizens are not aware of any stipulated issues at this time.

(6) PENDING MOTIONS

The Citizens are not aware of any pending motions at this time.

(7) PENDING CONFIDENTIALITY CLAIMS OR REQUESTS

The Citizens are not aware of any confidentiality issues at this time.

(8) COMPLIANCE WITH ORDER NO. PSC-08-0557-PCO-EI, AS MODIFIED BY ORDER NO. PSC-08-0635-PCO-EI

The Citizens are not aware of any requirements of Order No. PSC-08-0557- PCO-EI, as modified by Order No. PSC-08-0635-PCO-EI, with which parties cannot comply.

(9). OBJECTIONS TO WITNESS'S QUALIFICATIONS

To the extent that opinion testimony has been offered in prefiled testimony, OPC makes no