

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for a rate increase by Tampa Electric Company.) DOCKET NO. 920324-EI
) ORDER NO. PSC-92-1163-PHO-EI
) ISSUED: 10/09/92
)

Pursuant to Notice, a Prehearing Conference was held on September 30, 1992, in Tallahassee, Florida, before Commissioner J. Terry Deason, as Prehearing Officer.

APPEARANCES:

LEE L. WILLIS, Esquire, JAMES D. BEASLEY, Esquire, and KENNETH R. HART, Esquire, Ausley, McMullen, McGehee, Carothers and Proctor, 227 South Calhoun Street, Post Office Box 391, Tallahassee, Florida 32302.
On behalf of Tampa Electric Company.

JOHN ROGER HOWE, Esquire, Deputy Public Counsel, and H. Floyd Mann II, Esquire, Associate Public Counsel, Office of 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.

JOHN W. McWHIRTER, JR., Esquire and LEWIS J. CONWELL, Esquire, McWhirter, Grandoff and Reeves, 201 East Kennedy Boulevard, Suite 800, Post Office Box 3350, Tampa, Florida 33601-3350; and VICKI GORDON KAUFMAN, Esquire and JOSEPH A. MCGLOTHLIN, Esquire, McWhirter, Grandoff and Reeves, 522 East Park Avenue, Suite 200, Tallahassee, Florida 32301.

On behalf of Florida Industrial Power Users Group.

DEBRA SWIM, Esquire and ROSS BURNAMAN, Esquire, 1115 North Gadsden Street, Tallahassee, Florida 32303-6237; and TERRY BLACK, Esquire, Pace University Energy Project, Center for Environmental Legal Studies, 78 North Broadway, White Plains, New York 10603.

On behalf of Legal Environmental Assistance Foundation/John Ryan.

* PAMELA K. AKIN, City Attorney and TYRON BROWN, Esquire, 315 East Kennedy Boulevard, 5th Floor, City Hall, Tampa, Florida 33602.

On behalf of City of Tampa.

* LT. COL. BRUCE J. BARNARD, CAPT. TERRIE M. GENT, AFLSA/ULT, 139 Barnes Drive, Tyndall AFB, FL 32403-5319.

On behalf of the Department of Air Force.

DOCUMENT NUMBER-DATE

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PSC-RECORDS/REPORTS

PATRICK K. WIGGINS, Esquire, Wiggins and Villacorta,
P.A., 501 East Tennessee Street, Tallahassee, Florida
32302

On behalf of District School Board of Pasco County,
Florida.

ROBERT V. ELIAS, Esquire, DONNA L. CANZANO, Esquire,
MICHAEL A. PALECKI, Esquire, and M. ROBERT CHRIST,
Esquire, Florida Public Service Commission, 101 E. Gaines
Street, Tallahassee, Florida 32399-0863

On behalf of the Commission Staff.

PRENTICE P. PRUITT, Esquire, Florida Public Service
Commission, 101 E. Gaines Street, Tallahassee, Florida
32399-0862

On behalf of the Commissioners.

- * These parties did not attend the prehearing conference held on September 30, 1992. In accord with Order No. PSC-0666-PCO-EI Order Establishing Procedure, these parties are deemed to have waived positions on all issues. In filing post-hearing statements of issues of positions and positions and/or briefs, parties may adopt and argue any position taken by any party in this Prehearing Order.

PREHEARING ORDER

I. CASE BACKGROUND

On May 22, 1992, Tampa Electric Company (TECO or the company or the utility) filed a Petition for an increase in its rates and charges and approval of a fair and reasonable rate of return. The petition seeks a permanent increase in TECO's rates and charges pursuant to Section 366.06, Florida Statutes. The petition cites the costs associated with building and maintaining an adequate and reliable production, transmission and distribution system; the cost of serving over 106,000 new customers expected to take service by 1993 as compared to 1984 (the test year in the company's last rate proceeding); and the effects of a 41% expected increase in inflation from year end 1984 to 1993 as factors creating the need for higher rates.

The increases requested total 63.5 million dollars in 1993 and a step increase in 1994 of 34.4 million dollars. The company seeks

a Commission determination that a 13.75% return on equity and a 9.22% overall rate of return is fair and reasonable for Tampa Electric Company. Tampa Electric Company filed new tariff schedules reflecting the proposed increases. The company did not seek an interim increase.

By Order No. PSC-92-0596-FOF-EI issued July 1, 1992, the Commission voted to suspend the permanent increase pending review. A customer service hearing was held on October 7, 1992 in Tampa, Florida. The final hearing is scheduled for October 12-17, 19 and 21-24, 1992.

II. PROCEDURE FOR HANDLING CONFIDENTIAL INFORMATION

A. Any information provided pursuant to a discovery request for which proprietary confidential business information status is requested shall be treated by the Commission and the parties as confidential. The information shall be exempt from Section 119.07(1), Florida Statutes, pending a formal ruling on such request by the Commission, or upon the return of the information to the person providing the information. If no determination of confidentiality has been made and the information has not been used in the proceeding, it shall be returned expeditiously to the person providing the information. If a determination of confidentiality has been made and the information was not entered into the record of the proceeding, it shall be returned to the person providing the information within the time periods set forth in Section 366.093, Florida Statutes.

B. It is the policy of the Florida Public Service Commission that all Commission hearings be open to the public at all times. The Commission also recognizes its obligation pursuant to Section 366.093, Florida Statutes, to protect proprietary confidential business information from disclosure outside the proceeding.

In the event it becomes necessary to use confidential information during the hearing, the following procedures will be observed:

- 1) Any party wishing to use any proprietary confidential business information, as that term is defined in Section 366.093, Florida Statutes, shall notify the Prehearing Officer and all parties of record by the time of the Prehearing Conference, or if not known at that time, no later than seven (7) days prior to the beginning of the hearing. The notice shall include a procedure to assure that the

confidential nature of the information is preserved as required by statute.

- 2) Failure of any party to comply with 1) above shall be grounds to deny the party the opportunity to present evidence which is proprietary confidential business information.
- 3) When confidential information is used in the hearing, parties must have copies for the Commissioners, necessary staff, and the Court Reporter, in envelopes clearly marked with the nature of the contents. Any party wishing to examine the confidential material that is not subject to an order granting confidentiality shall be provided a copy in the same fashion as provided to the Commissioners, subject to execution of any appropriate protective agreement with the owner of the material.
- 4) Counsel and witnesses are cautioned to avoid verbalizing confidential information in such a way that would compromise the confidential information. Therefore, confidential information should be presented by written exhibit when reasonably possible to do so.
- 5) At the conclusion of that portion of the hearing that involves confidential information, all copies of confidential exhibits shall be returned to the proffering party. If a confidential exhibit has been admitted into evidence, the copy provided to the Court Reporter shall be retained in the Commission Clerk's confidential files.

III. PREFILED TESTIMONY AND EXHIBITS

Testimony of all witnesses to be sponsored by the parties and Staff has been prefiled. All testimony which has been prefiled in this case will be inserted into the record as though read after the witness has taken the stand and affirmed the correctness of the testimony and associated exhibits. All testimony remains subject to appropriate objections. Each witness will have the opportunity to orally summarize his or her testimony at the time he or she takes the stand. Upon insertion of a witness' testimony, exhibits appended thereto may be marked for identification. After all parties and Staff have had the opportunity to object and cross-examine, the exhibit may be moved into the record. All other

exhibits may be similarly identified and entered into the record at the appropriate time during the hearing.

Witnesses are reminded that, on cross-examination, responses to questions calling for a simple yes or no answer shall be so answered first, after which the witness may explain his or her answer.

IV. ORDER OF WITNESSES

Witnesses are grouped by subject matter.

WITNESS LIST

In keeping with past Commission practice, witnesses are grouped by subject matter.

<u>Witness</u>	<u>Party</u>	<u>Subject Matter of Testimony/ Issue Numbers</u>
<u>Policy</u>		
Girard F. Anderson	(TECO)	(Direct) Policy 94
<u>Forecast</u>		
Thomas W. Moore	(TECO)	(Direct) Inflation, Growth and KWH Forecast 2, 38, 46, 67
<u>System Planning</u>		
John B. Ramil	(TECO)	(Direct) System Planning and Fuel Inventory 4, 8, 9, 10, 11, 12, 14, 15, 16, 17, 18, 26, 29, 30, 31, 32, 33, 34, 69, 70, 71, 89, 90, 91, 92, 93, 96, 97, 98, 99, 102, 103, 104, 106, 108
<u>Accounting</u>		
Keith S. Surgenor	(TECO)	(Direct) Productivity, Benefits and Health Care Costs 54, 55, 56, 57, 58, 59, 62

Lester L. Lefler	(TECO)	(Direct) Accounting & Budgeting 1, 5, 6, 7, 8, 9, 10, 11, 12, 14, 15, 16, 17, 18, 19, 20, 22, 25, 26, 27, 34, 35, 36, 37, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 85, 87, 89, 132, 134, 135, 136, 138
Benjamin A. McKnight	(TECO)	(Direct) Income Taxes 41, 42, 44, 61, 86
Elizabeth A. Simokat	(TECO)	(Direct) Revenue Requirements 1, 3, 12, 13, 19, 22, 23, 24, 28, 34, 37, 40, 41, 42, 43, 45, 47, 48, 49, 84, 86, 87, 88, 95, 132, 133, 134, 136
Helmuth W. Schultz	(OPC)	(Direct) Accounting Issues 12, 14, 18, 25, 26, 27, 34, 36, 37, 50, 54, 55, 57, 58, 59, 68, 69, 71, 73, 74, 77, 79
Stephen A. Stewart	(OPC)	(Direct) Steam O&M Expense 4, 68, 69, 79
**Ann B. Bouckaert	(STAFF)	(Direct) Accounting
**William J. Davis	(STAFF)	(Direct) Accounting
**Jack W. Hoyt	(STAFF)	(Direct) Accounting
Keith S. Surgenor	(TECO)	(Rebuttal) Rebuttal to Schultz 54, 57, 59
Lester L. Lefler	(TECO)	(Rebuttal) Rebuttal to Schultz 26, 36, 54, 55, 73, 74, 78

** By agreement of the parties the direct testimony of witnesses Bouckaert, Davis and Hoyt will be inserted into the record as though read; cross examination waived; and the witnesses excused from appearing.

Cost of Capital

***Charles A. Benore	(TECO)	(Direct) Cost of Common Equity 39
***Charles E. Olson	(TECO)	(Direct) Cost of Common Equity 39
***David Parcell	(OPC)	(Direct) Cost of Common Equity 38, 39, 45
***Charles A. Benore	(TECO)	(Rebuttal) Rebuttal to Parcell 39

Financial

***William A. Abrams	(TECO)	(Direct) Financial Integrity 13
***Alan K. Oak	(TECO)	(Direct) Financial Policy 13, 38, 40, 45

*** By agreement of the parties, witnesses Benore, Olson, Parcell, Abrams and Oak will testify on Monday, October 19, 1992.

FAS 106

****Victoria Montanaro	(OPC)	(Direct) FAS 106 - 27, 61, 62
****Benjamin A. McKnight	(TECO)	(Rebuttal) Rebuttal to Montanaro 61

**** By agreement of the parties the direct testimony of Ms. Montanaro and rebuttal testimony of Mr. McKnight will be inserted into the record as though read; cross examination waived; and the witnesses excused from appearing.

Customer Service

*****Nancy Pruitt	(STAFF)	(Direct) Customer Service
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***** By agreement of the parties the testimony of Ms. Pruitt will be inserted into the record as though read; cross examination

waived; and the witness excused from appearing.

Decoupling and DSM Incentives

Dr. John Stutz	(LEAF)	(Direct) Decoupling and DSM Incentives 128, 129, 130, 131
Randall J. Falkenberg	(FIPUG)	(Rebuttal) Rebuttal to Stutz
Gerard J. Kordecki	(TECO)	(Rebuttal) Rebuttal to Stutz 128, 129

Separations, Cost of Service and Rates

Hugh A. Gower	(TECO)	(Direct) Jurisdictional Separation and Cost of Service Allocation 51, 100, 105, 106, 114, 124, 125, 126
L. Roy Smith	(TECO)	(Direct) Revenue Forecast and Rate Design 46, 101, 102, 105, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 137, 139, 140, 141, 142, 143
Randall J. Falkenberg	(FIPUG)	(Direct) Rate Design
H. G. Wells	(PASCO)	(Direct) Rate Design, Cost of Common Equity 39, 102, 103
*****John B. Ramil	(TECO)	(Rebuttal) Rebuttal to Davis, Bouckaert, Hoyt, Stewart, Schultz, Falkenberg and Wells 4, 8, 15, 18, 69, 89, 102, 103, 127

***** By agreement of the parties that portion of Mr. Ramil's rebuttal testimony that relates to the testimony of witnesses Bouckaert, Davis and Hoyt will be inserted into the record as though read and cross examination waived. Mr. Ramil will appear to address the direct testimony of witnesses Stewart, Schultz, Falkenberg and Wells. The right to cross examine his testimony with respect to these witnesses is not waived.

V. BASIC POSITIONS

TAMPA ELECTRIC COMPANY (TECO): Tampa Electric is requesting that the Commission approve the company's request for a \$49.7 million permanent base revenue and miscellaneous service revenue increase in 1993. In addition, the company is requesting a step increase of an additional \$33.5 million in 1994. As authorized by Florida Statutes, Tampa Electric also plans to remove gross receipt tax collection from base rates and begin recovering all gross receipts taxes through a separate line item on the Customer bill. The proposed increases in revenues will also result in a \$1.5 million increase in gross receipts tax revenues in 1993, and a \$0.9 million increase in 1994. The company is requesting to recover capacity related purchase power costs through a capacity clause provision within the fuel cost recovery clause docket as provided for in Order No. 25773 in Docket No. 910794-EQ, as well as providing a credit through the fuel clause for the company's proposed treatment of off-system sales. This approach will result in an increase in the fuel cost recovery clause of \$12.3 million in 1993. The total increase which Tampa Electric is requesting the Commission to consider in this docket is \$63.5 million in 1993 and \$34.4 million in 1994. The table below summarizes the company's request and the proposed treatment of the requested revenue.

TAMPA ELECTRIC COMPANY
REVENUE REQUIREMENTS
DOCKET NO. 920324-EI
(DOLLARS IN MILLIONS)

	<u>1993</u>	<u>1994</u>	<u>TOTAL</u>
(1) Base revenues	\$49.7	\$33.5	\$83.2
(2) Fuel revenues	12.3	0.0	12.3
(3) Gross receipts tax	<u>1.5</u>	<u>.9</u>	<u>2.4</u>
TOTAL REVENUES REQUESTED	<u>\$63.5</u>	<u>\$34.4</u>	<u>\$97.9</u>

Under present conditions the company's rates and charges cannot produce a fair rate of return on its property used and useful in serving the public. The company's projected 1993 average rate base is \$1.869 billion with a projected 1993 adjusted net operating income of \$141.4 million. The company calculates that the present rates and charges will earn an adjusted rate of return on rate base of 7.57% in 1993. A fair and reasonable rate of return for the company would be 9.22% which would reflect a 13.75% return on equity based on the company's projected 1993 adjusted

average capital structure and average cost rates.

Unless 1994 is also reviewed in this case, the company would have to file another petition for a change in prices in early 1993 to address the financial needs of 1994. The company must have additional revenue effective January 1, 1994, to provide the company an opportunity to earn the required rate of return for 1994. Therefore, Tampa Electric requests that the Commission approve a step increase in the company's base rates in the amount of \$33.5 million, to become effective for all bills rendered on and after January 1, 1994. Any amounts not granted for 1993 would increase further the need for 1994 increases.

Tampa Electric's Petition requests that the Commission consent to the operation of the company's proposed new permanent rate schedules at an early date.

CITIZENS OF THE STATE OF FLORIDA (OPC): Tampa Electric already has the highest retail rates of Florida's investor-owned electric utilities. In an attempt to increase rates even further, the utility has requested a return on equity that is unrealistic under prevailing market conditions. CWIP in rate base is not needed to preserve financial integrity. Even the jurisdictional allocation is designed to maximize retail rates and force retail customers to subsidize wholesale transactions. Rates are already excessive and should not be increased further.

FLORIDA INDUSTRIAL POWER USERS GROUP (FIPUG): FIPUG contends that post retirement benefits other than pensions should not be a charge upon current customers except to the extent that the benefits are being currently paid. This issue is presently the subject matter of a rulemaking proceeding and will be addressed in that proceeding rather than this case. Therefore, FIPUG recommends that the issues in this case be limited to the amounts of benefits that are being accrued. Whether these amounts should be presently collected as a ratemaking matter should be deferred to the rule proceeding.

FIPUG recommends that the Commission select a cost of service methodology based upon the ten summer/winter peak periods. FIPUG endorses Tampa Electric's statutorily correct approach which considers rate history and experience and designs rates upon an imbedded cost of service study. FIPUG rejects the idea of collecting the differential between interruptible and firm rates from customers through an independent conservation surcharge.

The implementation of the "decoupling" theory in this case is premature for a variety of reasons.

LEGAL ENVIRONMENTAL ASSISTANCE FOUNDATION/JOHN RYAN (LEAF/RYAN):

The economic incentives created by regulatory policies exert a powerful influence on utility actions. The current connection between utility revenues and sales gives Tampa Electric Corporation ("TECO") a strong incentive to maximize electric sales between rate cases. Every additional kWh TECO sells between rate cases increases its profits, and every kWh customers do not buy due to conservation reduces its bottom line. As a result, one of the strongest economic incentives in place under current regulation discourages investment in even low cost energy conservation and creates a strong disincentive to TECO's provision of reliable energy services at least cost and implementation of fully integrated resource planning.

Two regulatory policies are essential to correcting current incentives--to aligning TECO's economic interests with those of its customers. Decoupling utility revenues from sales is a necessary first step, and providing economic rewards for pursuing the least cost resource options--specifically, those conservation and efficiency options that reduce TECO's revenue requirements--is the second. The experience of other states indicates that both decoupling and incentives for cost effective demand side management ("DSM") are vital to the achievement of utility least cost planning. Since utility regulation ought to provide the greatest rewards for utility actions which lead to electric services at least cost to customers, Florida regulation should be altered to incorporate decoupling and DSM incentives.

CITY OF TAMPA (CITY): No position.

DEPARTMENT OF AIR FORCE (DAF): No position.

DISTRICT SCHOOL BOARD OF PASCO COUNTY, FLORIDA (PASCO): The Company's Interruptible and Curtailable rates should be open to smaller users than currently allowed, thereby providing for additional deferral of generating capacity and benefitting the whole body of the company's consumers.

STAFF: Staff takes no basic position pending the evidence developed at the hearing. Staff's positions on the Issues are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the parties in preparing for the hearing. Staff's final positions will be based upon all the evidence in the record and may differ from the preliminary positions.

VI. ISSUES AND POSITIONS

ISSUE 1: Is Tampa Electric Company's request for a step increase based on a subsequent test period of calendar year 1994 appropriate?

TECO: Yes. The subsequent year test period of calendar year 1994 is appropriate because the forecast is a reasonable estimate of circumstances which will be in effect during that time. It is clear that Tampa Electric Company will need additional revenues in 1994, and the cost of putting together a rate case to the company, the Commission Staff and all intervenors is such that it is appropriate to consider a subsequent period. The use of dual test periods is expressly authorized by Section 366.076(2), Fla. Stat., and Commission Rule 25-6.0425, Florida Administrative Code. This concept has been accepted by the Commission in prior base rate proceedings (Docket No. 830465-EI). (Lefler, Simokat)

OPC: No. The Commission should not base regulatory decisions on a speculative forecast that has not yet been refined to the point where the company would use it to guide its own day-to-day operations.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: Yes.

ISSUE 2: Are Tampa Electric's forecasts of Customers and KWH by Revenue Class, and Retail and System KW for the 1993 projected test year and the 1994 subsequent test year reasonable?

TECO: Yes. (Moore)
OPC: No.
FIPUG: No position.
LEAF/RYAN: No position.
CITY: No position.
DAF: No position.
PASCO: No position.
STAFF: No position at this time pending further discovery.

ISSUE 3: Is the use of a simple average the appropriate methodology for computing the 1994 rate base?

TECO: Yes. The use of a simple average is appropriate for calculating 1994 rate base. As demonstrated by the Minimum Filing Requirements, the simple average and the 13 month average calculations are not significantly different. In fact, the rate of return on rate base shown on MFR Schedule B-3 is 8.37% under both methods. (Simokat)

OPC: No.

STAFF: No.

RATE BASE

PLANT IN SERVICE:

ISSUE 4: Is the inclusion of the Hookers Point generating plant in rate base for 1993 appropriate?

TECO: Yes. Hookers Point generating plant absolutely should be included in rate base as it has been since 1952 when the plant went into commercial service. This plant is needed to provide cost effective and reliable service now and in the

future, moreover, the Commission report following the December 1989 freeze concluded that all of the then cold standby units should be returned to service, including Hookers Point. (Ramil)

OPC: No. An adjustment of \$45,675,000 (\$50,673,000 system) should be made to Plant in Service. (Shultz, Stewart)

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No position pending further discovery.

ISSUE 5: Should Plant in Service, Accumulated Depreciation, and Depreciation Expense be reduced in the 1993 projected test year and the 1994 subsequent test year due to the over accrual of AFUDC on Work Order K23?

TECO: The company agrees to the adjustment proposed in the Commission Staff audit report for AFUDC accrued on Work Order K23. This adjustment will reduce utility plant in 1993 by the 13 month average overaccrual of AFUDC amount of \$95,275, reduce Accumulated Depreciation \$20,954 and reduce Depreciation Expense \$4,002. (Lefler)

OPC: No position pending further discovery.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF:

Yes. For the 1993 projected test year reduce Rate Base \$95,275, reduce Accumulated Depreciation \$16,952, and reduce Depreciation Expense \$4,002. For the 1994 subsequent test year, reduce Rate Base \$95,275, reduce Accumulated Depreciation \$20,954, and reduce Depreciation Expense \$4,002.

ISSUE 6:

Is Tampa Electric in compliance with Rule 25-6.0141(1)(e), segregating eligible and ineligible AFUDC projects in Account 107?

TECO:

The company has always complied with Commission Rule 25-6.0141(1)(e). The rule states that "Account 107, Construction Work in Progress, ... shall be subdivided. ..." but does not specify the method of segregation. Tampa Electric Company maintains subsidiary ledgers that segregate Account 107:

Report FT003130 Exclusion from AFUDC Basis

Report FT003030A Calculation of AFUDC by CWO

Staff's opinion is that segregating Account 107 on the general ledger would provide a clearer audit trail. The company disagrees. Segregating Account 107 in general ledger does not provide a clearer audit trail, because it would not show the exclusion of accruals from AFUDC basis, nor would it demonstrate the number of projects not in service.

Our current subsidiary ledgers more clearly segregate Account 107 than a mere segregating of the total balances on the general ledger would. The company is currently complying with the rule; therefore, no order is required. (Lefler)

OPC:

The Company has an obligation to comply with the rule.

FIPUG:

No position.

LEAF:

No position.

CITY:

No position.

DAF: No position.

PASCO: No position.

STAFF: Staff witness Bouckaert testifies that the company is not in compliance.

ISSUE 7: Are any adjustments to rate base related to the Dravo-Wellman bucket unloader contract appropriate for any test year?

TECO: No. The treatment of costs, including AFUDC, on this contract is appropriately reflected in the company's filing. (Lefler)

OPC: No position.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: Yes. Staff witness Bouckaert proposes through testimony and audit disclosure number 9 adjustments to reduce Plant in Service \$47,174 (\$52,334 System) and reduce Accumulated Depreciation \$5,111 (\$5,670 System) for the 1993 projected test year. Plant in Service should be reduced by \$47,101 (\$52,334 System) and Accumulated Depreciation should be reduced by \$6,987 (\$7,763 System) for the 1994 subsequent test year.

ISSUE 8: Should an adjustment be made to any test year for planning and pre-engineering expenses incurred at Big Bend 4 due to scope changes?

TECO: No. The costs capitalized on Big Bend Unit 4 were necessary costs to bring this unit into service ahead of schedule at a capacity of 427 MW rather than its originally projected capacity of 417 MW and within 3% of the cost estimate made five years

earlier in the certification hearing. This Commission in Order No. 15451 issued December 13, 1985 stated that with the exception of certain specific disallowances specified in that order "we find that all of the project cost of BB4 was reasonably and prudently incurred and should be included in rate base." The design of this unit has proved to be effective and this unit has had an excellent performance record over the last seven years. (Lefler, Ramil)

OPC: No position.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: Yes. Staff witness Davis testifies that charges of \$2,744,000 should have been expensed rather than capitalized.

ISSUE 9: Should an adjustment be made to any test year for Architect/Engineering Expenses incurred at Big Bend 4 due to poor vendor performance? (Lefler, Ramil)

TECO: No adjustment should be made more than seven years after these costs have been found to be reasonable and prudent and have been included in rate base. This Commission in Order No. 15451 issued December 13, 1985 stated that with the exception of certain specific disallowances specified in that order "we find that all of the project cost of BB4 was reasonably and prudently incurred and should be included in rate base." The design of this unit has proved to be effective and this unit has had an excellent performance record over the last seven years. (Lester, Ramil)

OPC: Yes.

FIPUG: No position.

LEAF: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: Yes. Staff witness Davis testifies that the additional Architect/Engineering costs of \$513,000 should have been expensed rather than capitalized.

ISSUE 10: Is the acquisition and inclusion of the generating system and associated transmission facilities of the Sebring Utilities Commission in rate base for the 1993 projected test year and the 1994 subsequent test year appropriate?

TECO: Yes. The acquisition of the generating system and associated transmission facilities which was part of an overall transaction to provide full requirements service to the Sebring Utilities Commission was a prudent transaction. The assets were purchased below book value through a competitive bid-process which reflects a market price. These units dispatch well on the Tampa Electric system and the Sebring full requirements service is providing benefits to the Tampa Electric system by saving fuel costs. This transaction also results in removing some of the existing and future costs from the retail jurisdiction. (Ramil, Lefler)

OPC: No. Tampa Electric has not demonstrated that the Sebring generating units or transmission facilities are necessary additions to rate base.

FIPUG: No position.

LEAF: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No position pending further discovery.

- ISSUE 11: What is the appropriate rate base accounting treatment for Tampa Electric's acquisition of the electric generation system and associated transmission facilities of Sebring Utilities?
- TECO: The appropriate treatment of the generating and transmission facilities purchased from Sebring Utilities Commission is inclusion in system rate base at the purchased cost as reflected in the company's filing. The purchased cost is less than the book value recorded on Sebring's books and results in a negative acquisition adjustment. (Lefler, Ramil)
- OPC: If the purchase of Sebring assets is found to be prudent, the purchase price, which reflects a negative acquisition adjustment, should be recognized in rate base.
- FIPUG: No position.
- LEAF/RYAN: No position.
- CITY: No position.
- DAF: No position.
- PASCO: No position.
- STAFF: The transaction should be recorded in accordance with the Uniform System of Accounts prescribed by Commission Rule.
- ISSUE 12: Is Tampa Electric's requested level of Plant in Service in the amount of \$2,488,652,000 (\$2,629,733,000 system) for the 1993 projected test year and \$2,625,595,000 (\$2,774,444,000 system) for the 1994 subsequent test year appropriate?
- TECO: Yes. The Company's requested level of plant in service of \$2,488,652,000 (\$2,629,733,000 system) for 1993 and \$2,626,092,000 (\$2,774,969,000 system) for 1994 are appropriate. All of Tampa Electric's requested level of Plant in Service is needed to reliably provide service to our Customers now and

in the future. The requested level of Plant in Service for 1993 and 1994 reflects Tampa Electric Company's budgeted capital additions and retirements expected to occur during the test periods. (Lefler, Simokat, Ramil)

OPC: No. The appropriate level of Plant in Service is \$2,462,048,000 (\$2,601,621,000 system). (Shultz)

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No position pending further discovery.

CONSTRUCTION WORK IN PROGRESS:

ISSUE 13: Has Tampa Electric properly calculated the effects of including CWIP in rate base on its financial integrity?

TECO: Yes. The company utilized the Tampa Electric Financial Integrity Study (the results of which were accepted by this Commission in Dockets 820007-EU and 830012-EU) to calculate the effects of inclusion of various levels of CWIP in rate base. The financial integrity calculations resulting from this analysis are based on total company figures (Oak, Abrams, Simokat)

OPC: Tampa Electric's use of jurisdictional figures which have been revised to account for the company's proposed treatment of off-system sales has resulted in coverage ratios that are understated. The financial integrity evaluation should be based on total company figures.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.
DAF: No position.
PASCO: No position.
STAFF: No position pending further discovery.

ISSUE 14: Is Tampa Electric's requested level of Construction Work in Progress in the amount of \$89,609,000 (\$90,257,000 system) for the 1993 projected test year and \$213,831,000 (\$215,377,000 system) for the 1994 subsequent test year appropriate?

TECO: Yes. The CWIP amounts reflect the investment the company is making in order to provide cost effective and reliable service to our Customers due in large part to the Polk Unit One project which was approved by the Commission in Docket No. 910883-EI. These estimates are from Tampa Electric's budget, which is based upon reasonable assumptions, and they should be approved by the Commission. (Lefler, Ramil)

OPC: No. The company's projected levels of CWIP are overstated when compared to actual expenditures to date. Furthermore, CWIP is not used and useful and is not needed to preserve Tampa Electric's AA Bond Rating. The level of CWIP should be decreased by \$72,869,000 (\$73,395,946 system). The appropriate level of CWIP for the 1993 projected test year is \$16,740,000 (\$16,861,054). (Schultz)

FIPUG: No position.
LEAF/RYAN: No position.
CITY: No position.
DAF: No position.
PASCO: No position.
STAFF: No position pending further discovery.

PLANT HELD FOR FUTURE USE:

- ISSUE 15:** Is Tampa Electric's requested level of Plant Held for Future Use for the Gannon Coal Yard land in the amount of \$35,515 (\$36,429 system) for the 1993 projected test year and \$35,515 (\$36,429 system) for the 1994 subsequent test year appropriate?
- TECO:** Yes. In 1981 Tampa Electric needed land for immediate use at Gannon Station. A portion of the land was needed for the coal yard conversion and a portion was needed for an equipment storage area. The only way for Tampa Electric to obtain the land needed immediately was to buy the entire parcel including a small contiguous parcel, which can be used in the future, as part of the transaction. It is only a small fraction of a larger parcel of land (approximately .66 acres out of 11 acres). Consequently it was an inseparable part of the total transaction and the company should be entitled to earn a return on it. (Lefler, Ramil)
- OPC:** No.
- FIPUG:** No position.
- LEAF/RYAN:** No position.
- CITY:** No position.
- DAF:** No position.
- PASCO:** No position.
- STAFF:** No. Staff witness Hoyt proposes through testimony and Audit Disclosure number 6 that \$35,515 (\$36,429 system) be transferred from Account 105, Electric Plant Held for Future Use, to Account 121, Non-Utility Plant.
- ISSUE 16:** Is Tampa Electric's requested level of Plant Held for Future Use for the Port Manatee Plant Site in the amount of \$4,750,000 (\$5,094,000 system) for the 1993 projected test year and \$4,822,000 (\$5,172,000 system) for the 1994 subsequent test year appropriate?

TECO: Yes. This parcel of land was prudently acquired and has been identified as a future generating site in the company's Ten Year Site Plans. This parcel was considered by the Power Plant Siting Task Force and while the ultimate recommendation was to construct the company's next plant in Polk County, the site still rates very well from an engineering and transportation standpoint as a good power plant site. If future technological changes in power production permits its use, the site would save Customers millions of dollars. (Lefler, Ramil)

OPC: No.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: Yes.

ISSUE 17: Should rate base be reduced in the 1993 projected test year and the 1994 subsequent test year due to the reclassification of three substation sites to non-utility?

TECO: Yes. The Lake Lucern, Polk Packing and Thonotosassa sites should no longer be included in the company's request based on the 1993 test year; therefore, the test year amount of rate base should be reduced by \$52,000. (Lefler)

OPC: Yes.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

CITY: No position.
DAF: No position.
PASCO: No position.
STAFF: This is a calculation dependent upon the resolution of the previous Plant Held for Future Use issues.

WORKING CAPITAL:

ISSUE 19: Should the 1993 and 1994 working capital allowance be adjusted to remove the effect of tax refunds due from the Internal Revenue Service?

TECO: No working capital adjustment should be made for this item because the corresponding credit to this debit balance is in Account 236.00 (which is contained in the liabilities included in working capital). Removal of the two transaction balances would have zero impact on working capital, not only in 1991, but most importantly, there would be a zero impact on the 1993-1994 requested years for setting rates. (Simokat, Lefler)

OPC: Yes.
FIPUG: No position.
LEAF: No position.
CITY: No position.
DAF: No position.
PASCO: No position.
STAFF: No.

ISSUE 20: Is Tampa Electric's requested level of cash included in Working Capital in the amount of \$7,117,000 (\$7,292,000 system) in the 1993 and 1994 test years appropriate?

TECO: Yes. Tampa Electric Company must maintain cash balances for liquidity as well as to use these balances to pay for bank services, and the amount requested is appropriate. (Lefler)

OFC: No. Cash balances appear to be overstated.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No position pending further discovery.

ISSUE 21: Should unamortized rate case expense be included in Working Capital?

TECO: Yes. Unamortized rate case expense should be included in working capital. (Simokat)

OFC: No.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No.

ISSUE 22: Has Tampa Electric Company properly reflected the net overrecoveries or net underrecoveries of fuel and conservation expenses in its calculation of working capital?

TECO: Yes. Consistent with Commission practice, the net underrecoveries of fuel expenses in the test year

and subsequent test year have been removed in the company's calculation of working capital. Additionally, the net overrecoveries of conservation expenses in the test year and subsequent test year have been removed in the working capital calculation. (Simokat, Lefler)

OPC: No. Tampa Electric apparently agrees with past Commission policy to exclude underrecoveries and include overrecoveries in the working capital calculation, but it has made improper adjustments in the MFR's.

FIPUG: No position.

LEAF: No position.

CITY: No position at this time.

DAF: No position at this time.

PASCO: No position.

STAFF: No. The appropriate adjustment to working capital is pending further discovery.

ISSUE 23: Should Working Capital be reduced for costs associated with renegotiating the Ziegler Coal contract?

TECO: No. The company's requested working capital in 1993 and 1994 does not include any amounts for the Zeigler Coal contract renegotiation. These costs were netted against the money recovered from Zeigler and were credited to fuel expense in 1992. (Simokat)

OPC: No position.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No.

ISSUE 24: Should common stock dividends payable be included as a current liability in the Working Capital computation?

TECO: No. Consistent with established Commission policy, common stock dividends declared are considered to be a component of equity and should be reflected in the equity portion of capital structure. The balance of common stock dividends declared and accrued but not paid belongs to shareholders and should earn a return. (Simokat)

OPC: Yes. The Commission's policy focuses improperly on whether stockholders have these funds invested until they are actually paid. In fact, dividends are only earnings on investment to the stockholder. The Commission should only be concerned with the amount of investment capital available to the utility to support rate base. Dividends payable are not available to the utility to support its rate base. This is especially true with a company such as Tampa Electric which pays 100% of its earnings as dividends to its parent, TECO energy. Working capital and common equity should be reduced by \$7,473,000 (\$7,871,000 system)

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No position pending further discovery.

ISSUE 25: Should an adjustment be made to Working Capital associated with the Success Sharing Plan?

TECO: No. The accrual of the Success Sharing Plan liability, like other components of employee compensation expense, has been appropriately included in working capital. (Lefler)

OPC: Yes. The average monthly accruals associated with the Success Sharing Plan should be removed from the projected 1993 current liabilities. This adjustment increases Working Capital by \$2,895,300 (\$2,972,282 system). (Shultz)

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No position pending further discovery.

ISSUE 26: Should an adjustment be made to Working Capital associated with Account 183, Preliminary Survey and Investigation?

TECO: No. An adjustment to remove \$3,318,894 (\$3,357,845 system) from Working Capital from Account 183 is not appropriate. The 1993 test year does not include a duplication of all 183 Accounts related to the Polk Power Plant that were in the 1992 budget. During the preparation of the 1993 MFR's the 183 Account balance was reduced by \$2,832,873 (\$2,908,195 system) to reflect the transfer from Account 183 to the Polk Power Plant account. The company will agree to remove the remainder of the Account 183 balance related to the Polk Plant \$438,004 (\$449,651 system) from Working Capital. (Lefler)

OPC: Yes. The balance of Account 183, Preliminary Survey and Investigation is overstated. The level of Working Capital should be decreased by \$3,318,894 (\$3,357,845 system). (Shultz)

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No position pending further discovery.

ISSUE 27: Should an adjustment be made to Working Capital associated with SFAS 106?

TECO: Yes. The company agrees to the adjustment to reduce working capital in the amount of \$1,762,236 (\$1,813,000 system) for the 1993 projected test year and \$5,399,460 (\$5,555,000 system) for the 1994 subsequent test year associated with the SFAS 106 liability which was inadvertently not included in the 1993 budget or 1994 forecast. (Lefler)

OPC: Yes. Average monthly accruals for postretirement benefits should be removed from 1993 projected liabilities. The level of Working Capital should be increased by \$2,482,638 (\$2,551,792 system). (Shultz, Montanaro)

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: Working capital should be reduced for the 1993 and 1994 test years to reflect the implementation of SFAS 106. The appropriate adjustment to working capital is dependent upon the resolution of Issue 62.

ISSUE 28: Should adjustments be made for the rate base effects of transactions with affiliated companies?

TECO: Consistent with past Commission practice, transactions with affiliated companies which are non-utility in nature should be excluded from working capital. (Simokat)

OPC: Yes.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: Yes, pending further discovery.

ISSUE 29: Are Tampa Electric's forecasted fuel prices included in fuel inventory for 1993 and 1994 reasonable?

TECO: Yes. The company's fuel prices are based on the best data available and represent reasonable estimates for 1993 and 1994. (Ramil)

OPC: No. Projected prices are overstated. In particular, coal prices assume that Gatliff Coal Company charges, which are subject to a stipulation in the fuel recovery docket, should not meet a market standard.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No position pending further discovery.

ISSUE 30: Is Tampa Electric's requested level of heavy oil inventory in the amount of \$1,748,880 (\$1,800,000 system) for the 1993 projected test year and \$1,923,768 (\$1,980,000 system) for the 1994 subsequent test year appropriate?

TECO: Yes. Heavy oil is used on the Tampa Electric system for peaking reliability. The generating units fired by heavy oil are run during emergency situations and/or periods of extreme peak demand. The requested level represents approximately five days inventory at maximum burn and is a reasonable inventory level for this type of fuel. (Ramil)

OPC: No position.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No position pending further discovery.

ISSUE 31: Is Tampa Electric's requested level of light oil inventory in the amount of \$1,535,128 (\$1,580,000 system) for the 1993 projected test year and \$1,696,414 (\$1,746,000 system) for the 1994 subsequent test year appropriate?

TECO: Yes. Light oil is used on Tampa Electric's system for peaking reliability as well as for ignition of the company's steam generating units. The units fired by burning light oil operate under emergency and/or periods of extreme peak demand. The requested level represents approximately seven days inventory at maximum burn and is a reasonable inventory level for this type of fuel. (Ramil)

OPC: No.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No. Subsequent to Order 12465 (Docket 830001-EU), the light oil inventory should be based on 30 days maximum monthly rate during the most current and five year period plus normally unavailable oil. This basis of analysis forwards a light oil inventory level of 54,592 BBl's, a net reduction of 121 BBl's to the level of 54,592 BBl's proposed by Mr. Ramil in his testimony. The effective reduction of working capital is pending further discovery of Issue 29.

ISSUE 32: Is Tampa Electric's requested level of coal inventory in the amount of \$87,236,078 (\$89,786,000 system) for the 1993 projected test year and \$86,558,872 (\$89,089,000 system) for the 1994 subsequent test year appropriate?

TECO: Yes. This initially budgeted inventory level translates into approximately 92 days burn. The company typically budgets (and the Commission has previously approved) a targeted inventory level of 100 days burn. For the last seven years the company's actual coal inventory has averaged 102.2 days burn. (Ramil)

OPC: No. In particular, the coal from Gatliff Coal Company, an affiliated company, is overpriced when the fuel recovery stipulation is taken into consideration.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No.

ISSUE 33: Is Tampa Electric's request for an additional 173,077 tons of coal inventory in 1993 at a cost of \$8,799,781 (\$9,057,000 system) and an additional 180,000 tons of coal inventory in 1994 at a cost of \$9,209,796 (\$9,479,000 system) for test burns to comply with the Clean Air Act appropriate?

TECO: Yes. This inventory is necessary to perform the required testing for acid rain compliance and to meet the 100 day burn inventory target for reliable service. (See Issue 32) While this adjustment provides slightly greater inventory than the 100 day target, a higher amount is justified due to the uncertainty related to the performance of the fuel. (Ramil)

OPC: No.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No. Compliance coal used for testing purposes is not reliable generation and should not be included in coal inventory. This results in a net reduction to working capital in the amount of \$8,799,077 (\$9,057,000 system) in 1993 and \$9,210,000 (\$9,479,000 system) in 1994.

ISSUE 34: Is Tampa Electric's requested level of Working Capital in the amount of \$156,635,000 (\$161,153,000 system) for the 1993 projected test year and \$168,207,000 (\$173,061,000 system) for the 1994 subsequent test year appropriate?

TECO: Yes, the request level of working capital is

appropriate. This issue is a computation resulting from resolution of all other working capital issues. (Lefler, Simokat, Ramil)

OPC: No. Working Capital should be increased by \$2,107,000 (\$2,167,000 system). This adjustment is the sum total of adjustments addressed in Issues 25, 26, & 27. Working capital should be reduced by \$7,473,000 (\$7,871,000 system) for dividends payable. See position on issue 24. The appropriate level of Working Capital is \$151,269,000 (\$155,449,000 system). (Schultz)

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: This is a calculation dependent upon the resolution of the previous working capital issues.

ACCUMULATED DEPRECIATION:

ISSUE 35: What adjustment should be made to the test year depreciation reserve to reflect the depreciation rates approved by the Commission in Docket No. 920618-EI?

TECO: No adjustment should be made. The reserve transfers included by Staff are not material. However, if the Commission changes the interim rates approved for Big Bend and Gannon Stations and approves any reserve transfers, the effect should be reflected in test year expenses and rate base. (Lefler)

OPC: No position.

FIPUG: No position.

LEAF: No position.
CITY: No position.
DAF: No position.
PASCO: No position.
STAFF: No position pending the decision in Docket No. 920618-EI.

ISSUE 36: Is Tampa Electric's requested level of Accumulated Depreciation in the amount of \$916,214,000 (\$962,762,000 system) for the 1993 projected test year and \$996,699,000 (\$1,047,338,000 system) for the 1994 subsequent test year appropriate?

TECO: Yes. The requested levels of accumulated depreciation reflect properly the company's projections regarding the levels of depreciation expense, retirements, additions to plant and costs of removal. The Company is using depreciation rates approved by the Commission in Docket No. 910686-EI Order No. 25619. (Lefler)

OPC: No. Accumulated Depreciation should be increased by \$13,556,000 (\$14,244,000 system) for the 1993 projected test year. The appropriate level of Accumulated Depreciation is \$929,770,000 (\$977,006,000 system). (Shultz)

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: This is a calculation dependent upon the resolution of the previous depreciation issues.

TOTAL RATE BASE:

ISSUE 17: Is Tampa Electric's requested rate base of \$1,868,787,000 (\$1,970,215,000 system) for the 1993 projected test year and \$2,071,954,000 (\$2,178,682,000 system) for the 1994 subsequent test year appropriate?

TECO: Yes. The requested rate base amount of \$1,868,787,000 (\$1,970,215,000 system) for 1993 and \$2,073,467,000 (\$2,180,246,000 system) for 1994 are appropriate. (Lefler, Simokat)

OPC: No. Rate base should be decreased by \$110,767,000 (\$116,778,845 system). The appropriate rate base for the 1993 projected test year is \$1,758,020,000 (\$1,853,436,000 system).

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: This is a calculation dependent upon the resolution of the previous rate base issues.

COST OF CAPITAL

ISSUE 38: What is the appropriate cost of short-term debt and long-term debt for the 1993 and 1994 test years?

TECO: The appropriate cost rate for short-term debt is 6.50% for 1993 and 1994. The appropriate cost rate for long-term debt is 7.86% for 1993 and 7.89% for 1994. The appropriate cost rate for long-term debt associated with the Oil Backout Trust is 5.0% for 1993 and 1994. (Moore, Oak)

OPC: The appropriate embedded cost of short-term debt should be 6.50%. (Parcell)

PIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: The cost of short-term debt, variable cost long-term debt, and prospective long-term debt issues for the test years 1993 and 1994, should be updated with the most current DRI Forecast of the U.S. Economy available at the time of the hearing.

ISSUE 39: What is the appropriate cost of common equity capital for Tampa Electric?

TECO: The appropriate cost rate of common equity capital for Tampa Electric is 13.75%. Dr. Olson testified to a common equity rate of 14.0%, while Mr. Benore's testimony concludes that 13.5% is an appropriate common equity return rate. Based on these testimonies, an allowed return on common equity of 13.75% was used to develop the revenue requirement in this proceeding. (Olson, Benore)

OPC: The appropriate cost of common equity to be used for rate making purposes is 11.25%. (Parcell)

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: The appropriate cost of common equity capital for Tampa Electric should not be more than 11.5%.

STAFF: No position at this time.

ISSUE 40: What is the appropriate capital structure treatment of the Gannon conversion assets being recovered through the oil backout clause?

TECO: Oil backout assets should be treated as being financed in their entirety with tax exempt debt that is being transferred from the Gannon Trust books to those of Tampa Electric.

The restructuring of the Gannon project trust was designed to allow the related tax-exempt debt to remain outstanding at Tampa Electric when the original document would have required it to be paid off. In the company's filing a proforma adjustment was made to reflect the preservation of the tax-exempt debt which would have had to have been paid off under the old structure. In order to maintain the level of the total debt consistent with the company's capital structure goals, short-term taxable debt with an assumed interest rate of 6.5% was replaced with the oil backout variable term tax-exempt debt with an assumed interest rate of 5%. (Simokat, Oak)

OPC: No position.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: It may not be appropriate to specifically replace short-term debt in the capital structure with the pollution control bonds related to the Gannon oil backout assets, pending further discovery.

ISSUE 41: Is Tampa Electric's requested balance of Accumulated Deferred Investment Tax Credits in the amount of \$395,000 at zero cost rate for the 1993 projected test year and \$248,000 for the 1994 subsequent test year appropriate?

TECO: Yes. The requested balances of accumulated deferred investment tax credits of \$395,000 for 1993 and \$249,000 for 1994 properly recognize the annual amortization of the credits. (McKnight, Simokat)

OPC: No position.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No position pending further discovery and the resolution of other issues.

ISSUE 42: Is Tampa Electric's requested balance of Accumulated Deferred Investment Tax Credits in the amount of \$64,868,000 at a cost rate of 11.17% for the 1993 projected test year and \$59,988,000 at a cost rate of 11.21% for the 1994 subsequent test year appropriate?

TECO: Yes. The requested balances of \$64,868,000 for 1993 and \$59,549,000 for 1994 and associated cost rates are appropriate. The cost rates requested by the company are 11.17% for 1993 and 11.19% for 1994 and are calculated consistent with IRS regulations. (McKnight, Simokat)

OPC: No position.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No position pending further discovery and resolution of other issues.

ISSUE 43: Is Tampa Electric's requested balance of Accumulated Deferred Taxes in the amount of \$295,258,000 for the 1993 projected test year and \$296,905,000 for the 1994 subsequent test year appropriate?

TECO: Yes. The requested balances of accumulated deferred taxes of \$295,258,000 for 1993 and \$292,849,000 for 1994 are consistent with the activities budgeted and forecasted as presented in the company's filing. (McKnight, Simokat)

OPC: No position.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No position pending further discovery and the resolution of other issues.

ISSUE 44: Is Tampa Electric's treatment of FAS 109, Accounting for Income Taxes, appropriate?

TECO: Yes. The Commission should treat the adoption of FAS 109 in a way that is revenue neutral consistent with Tampa Electric's filing in this case. (McKnight)

OPC: No.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: Yes.

ISSUE 45: What is the appropriate weighted average cost of capital including the proper components, amounts and cost rates associated with the capital structure for the 1993 and 1994 test years?

TECO: The appropriate weighted average cost of capital for 1993 and 1994 is:

<u>1993 Test Year</u>	<u>Fully Adjusted Jurisdictional</u>	<u>Ratio</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>
Long Term Debt	\$ 554,540	29.67%	7.86%	2.33%
Long Term Debt-OBO	4,844	.26	5.00	0.01
Short Term Debt	37,753	2.02	6.50	0.13
Preferred Stock	52,446	2.81	6.49	0.18
Customer Deposits	45,539	2.44	8.19	0.20
Common Equity	813,144	43.51	13.75	5.98
Deferred Income Taxes	295,258	15.80	0.00	0.00
Tax Credits-Zero Cost	395	.02	0.00	0.00
Tax Credits-Weighted Cost	64,868	3.47	11.17	0.39
Total Capital Structure	<u>\$1,868,787</u>	<u>100.00%</u>		<u>9.22%</u>

<u>1994 Subsequent Year</u>	<u>Fully Adjusted Jurisdictional</u>	<u>Ratio</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>
Long Term Debt	\$ 633,344	30.55%	7.89%	2.4104%
Long Term Debt-OBO	0	0.00	5.00	0.0000
Short Term Debt	70,716	3.41	6.50	0.2217
Preferred Stock	52,165	2.52	6.49	0.1635
Customer Deposits	49,447	2.38	8.10	0.1928
Common Equity	915,148	44.14	13.75	6.0693
Deferred Income Taxes	292,849	14.12	0.00	0.0000
Tax Credits-Zero Cost	249	0.01	0.00	0.0000
Tax Credits-Weighted Cost	59,549	2.87	11.19	0.3212
Total Capital Structure	<u>\$2,073,467</u>	<u>100.00%</u>		<u>9.3789%</u>

(Oak, Simokat)

OPC: The weighted cost of capital should be 8.08%.
(Parcell)

ITEM	PERCENT	COST RATE	WEIGHTED COST
Long-Term Debt	29.67%	7.86%	2.33%

Long-Term Debt- OBO Proforma	0.26	5.00	0.01
Short Term Debt	2.02	6.50	0.13
Preferred Stock	2.81	6.49	0.18
Customer Deposits	2.44	8.19	0.20
Common Equity	43.51	11.25	4.89
Deferred Income Taxes	15.80	0.00	0.00
Tax Credit - Zero Cost	0.02	0.00	0.00
Tax Credit - Wtd Cost	3.47	9.74	<u>0.34</u>
			8.08%

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: The appropriate weighted average cost of capital should include a cost rate for common equity of not more than 11.5 %.

STAFF: This is a calculation dependent upon the resolution of the previous cost of capital issues.

NET OPERATING INCOME

OPERATING REVENUES:

ISSUE 46: Are the company's estimated revenues for sales of electricity based upon reasonable estimates of customers, KW, and KWH billing determinants by rate class?

TECO: Yes. (Smith, Moore)

OPC: No. Estimated retail revenues are unrelated to the

reasonableness of estimated sales because the company has arbitrarily increased the retail revenue responsibility to recognize off-system sales to other utilities.

FIPUG: No position.
LEAF/RYAN: No position.
CITY: No position.
DAF: No position.
PASCO: No position.
STAFF: No position pending further discovery.

ISSUE 47: Are adjustments removing \$407,074,000 (\$412,686,000 system) in fuel revenues for 1993 and \$440,078,000 (\$452,211,000 system) for 1994 and the related expenses recoverable through the Fuel Adjustment Clause appropriate?

TECO: Yes. The adjustments removing all fuel revenues and related expenses recoverable through the fuel adjustment clause are appropriate. (Lefler, Simokat)

OPC: No.

FIPUG: No position.
LEAF/RYAN: No position.
CITY: No position.
DAF: No position.
PASCO: No position.
STAFF: No position pending further discovery.

ISSUE 48: Are adjustments removing \$18,195,000 (\$18,195,000 system) in conservation revenues for 1993 and \$18,774,000 (\$18,774,000 system) for 1994 and the related expenses recoverable through the

Conservation Cost Recovery Clause appropriate?

TECO: Yes. The adjustments removing all recoverable conservation revenues and expenses are appropriate. (Lefler, Simokat)

OPC: No position.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No position pending further discovery.

ISSUE 49: Is Tampa Electric's requested level of Total Operating Revenues in the amount of \$548,162,000 (\$571,600,000 system) for the 1993 projected test year and \$612,747,000 (\$636,234,000 system) for the 1994 subsequent test year appropriate?

TECO: Yes. (Lefler, Simokat)

OPC: No. Total operating revenues are understated by at least \$7,714,000 retail (\$7,979,000 system) because Tampa Electric has improperly deducted off-system profits from retail revenues.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: This is a calculation dependent upon the resolution of the previous revenue issues.

OPERATION AND MAINTENANCE EXPENSE:

ISSUE 50: Should an adjustment be made to Tampa Electric's advertising expenses to be allowed in the 1993 projected and the 1994 subsequent test years?

TECO: No. The company believes that the advertising expenses it has budgeted for 1993 and projected for 1994 are appropriate. (Lefler)

OPC: Yes. Jurisdictional advertising expense should be decreased by \$50,635. (Shultz)

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No. Staff witness Bouckaert proposes through Audit Disclosure No. 18 to reduce advertising expense by \$41,479 in 1991 related to the company's manatee viewing area.

ISSUE 51: Are Tampa Electric's requested Industry Association Dues in the amount of \$3,703,385 (\$ 3,802,465 system) for the 1993 projected test year and \$3,855,220 (\$3,958,364 system) for the 1994 subsequent test year appropriate?

TECO: Yes. The company has included the appropriate amount of industry association dues. (Lefler)

OPC: No position.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: Staff witness Bouckaert proposes through Audit Disclosure No. 23 to reduce dues expense by \$38,622 in 1991 to remove dues allocated by the parent company. Dues should also be reduced to exclude lobbying expenses in the amount of \$108,332 in 1993 and \$112,774 in 1994.

ISSUE 52: Should an adjustment be made to Tampa Electric's Outside Services expense to be allowed for the 1993 projected and the 1994 subsequent test years?

TECO: No adjustment needs to be made to outside services expense. (Lefler)

OPC: No position.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No position pending further discovery.

ISSUE 53: Should an adjustment be made to Tampa Electric's Miscellaneous General Expenses for the 1993 projected and the 1994 subsequent test years?

TECO: No. The amount budgeted as Miscellaneous General Expenses for 1993 and projected for 1994 are appropriate. (Lefler)

OPC: No position.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

test year appropriate?

TECO:

Yes. This cost for the Success Sharing Program and Officers Incentive Compensation Program are a reasonable part of the company's total compensation system and should be approved as budgeted. However, the correct amounts should be \$5,344,000 (\$5,487,000 system) for 1993 and \$8,532,000 (\$8,763,000 system) for 1994. (Lefler, Surgenor)

OPC:

The total amount of O&M costs associated with the Success Sharing Program should be disallowed. This results in an adjustment to O&M in the amount of \$4,551,637 (\$4,659,266 system). (Shultz)

FIPUG:

No position.

LEAF/RYAN:

No position.

CITY:

No position.

DAF:

No position.

PASCO:

No position.

STAFF:

No position pending further discovery.

ISSUE 58:

Should an adjustment be made to Other Fringe Benefits in Account 926 for the 1993 projected test year or for the 1994 subsequent test year?

TECO:

No adjustment needs to be made to the Other Fringe Benefit costs as they have been appropriately forecasted. (Lefler, Surgenor)

OPC:

No position.

FIPUG:

No position.

LEAF/RYAN:

No position.

CITY:

No position.

DAF:

No position.

PASCO:

No position.

STAFF: No position pending further discovery.

ISSUE 59: Should an adjustment be made to the level of expenditures Tampa Electric has budgeted for the Supplemental Executive Retirement Program in 1993 and 1994?

TECO: No. This is a prudent level of cost that the company needs to maintain its compensation package at a competitive level. (Lefler, Surgenor)

OPC: Yes. Since this expense increased 26% over 1992 and, as of April 1992, actual expenses were less than budgeted, an adjustment appears to be necessary. (Schultz)

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No position pending further discovery.

ISSUE 60: Should the 1993 projected test year or the 1994 subsequent test year be adjusted for any non-recurring expenses?

TECO: No. The company's projections for 1993 and 1994 do not include any non-recurring expenses. Therefore, no adjustment is warranted. (Lefler)

OPC: Yes. Test year data should be adjusted for any expenses that the company cannot demonstrate to be recurring in nature.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No.

ISSUE 61: Should the Commission approve Tampa Electric's request to move from a cash basis to an accrual basis when accounting for post-retirement benefits other than pensions (OPEB) for ratemaking purposes?

TECO: Yes. The accrual basis of accounting is a more appropriate method for allocating the current cost of providing service to the Customers who are receiving the benefit of that service. This position is consistent with this Commission's proposed rule on accounting for OPEB and is consistent with past Commission decisions. (McKnight, Lefler)

OPC: No. The current method of calculating the cost of postretirement benefits allows the company to recover the costs it has incurred. However, the SFAS methodology places the customer in jeopardy. It offers no assurance that the current or future customer is not overcharged. (Montanaro)

FIPUG: This issue is presently the subject of a rulemaking proceeding and should be deferred.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: SFAS 106 should be used for ratemaking purposes.

ISSUE 62: Is Tampa Electric's requested level of Other Post Employment Benefits cost in the amount of \$6,545,000 (\$6,749,000 system) for the 1993 projected test year and \$6,995,000 (\$7,213,000 system) for the 1994 subsequent test year appropriate?

TECO: Yes. These are the appropriate levels. (Lefler, Surgenor)

OPC: No. The level of Other Post Employment Benefits should be reduced by \$4,126,328 (\$4,233,000 system) for the 1993 projected test year. (Montanaro)

FIPUG: No position.

LEAF/Ryan: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: Yes.

ISSUE 63: Is Tampa Electric's requested level of Pension Expense in the amount of \$2,608,000 (\$2,678,000 system) for the 1993 projected test year and \$2,778,000 (\$2,852,000 system) for the 1994 subsequent test year appropriate?

TECO: Yes. Tampa Electric is requesting \$2,608,000 (\$2,678,000 system) for 1993 as the pension expense for its qualified plan for employees. The expense for 1994 is \$2,778,000 (\$2,852,000 system). These are the appropriate amounts which should be approved. (Lefler)

OPC: No. Adjustment may be necessary if the Commission adjusts the projected number of employees downward.

FIPUG: No position.

LEAF/Ryan: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No position pending further discovery.

ISSUE 64: Is Tampa Electric's requested Rate Case Expense in the amount of \$1,438,000 appropriate?

TECO: The \$1,438,000 amount is the appropriate rate case budget. The company is requesting to amortize this amount over a 2 year period. The amount included in the 1993 test year is \$719,000. (Lefler)

OPC: No. Rate case expense should be reduced by at least \$800,000.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No position pending further discovery.

ISSUE 65: What is the appropriate net operating income accounting treatment for Tampa Electric's acquisition of the electric generation system and associated transmission facilities of Sebring Utilities?

TECO: The appropriate treatment of the accounting for the cost of operating the Sebring Utilities generating system purchased by Tampa Electric is to include this as a system cost of operating expense just as the cost of the company's other generating facilities are included above the line. (Lefler)

OPC: If the Sebring purchase is approved, the purchase price (i.e., recognizing the negative acquisition adjustment) should be used for ratemaking purposes.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.
PASCO: No position.
STAFF: The transaction should be recorded in accordance with the Uniform System of Accounts prescribed by the Commission.

ISSUE 66: Should adjustments be made for the NOI effects of transactions with affiliated companies?

TECO: No adjustments are necessary or appropriate for these transactions. (Lefler)

OPC: Appropriate adjustments should be made to the extent they are not already recognized in the utility's filing.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No position pending further discovery.

ISSUE 67: What are the appropriate Consumer Price Index factors to use in determining test year expenses?

TECO: The appropriate Consumer Price Index factors to use in determining test year expenses are as follows:

<u>1992</u>	<u>1993</u>	<u>1994</u>
3.7%	3.8%	4.1%

Tampa Electric utilized Consumer Price Index (CPI-U) projections from the Blue Chip Economic Indicators and from Data Resources Incorporated (DRI) in generating its inflation forecast for budgeting purposes. (Moore)

OPC: No position.
FIPUG: No position.
LEAF/RYAN: No position.
CITY: No position.
DAF: No position.
PASCO: No position.
STAFF: No position pending further discovery.

ISSUE 68: Is Tampa Electric's requested level of Total Fossil Production O&M expenses in the amount of \$78,663,000 (\$81,614,000 System) for the 1993 projected test year and \$81,841,000 (\$84,910,000 system) for the 1994 subsequent test year appropriate?

TECO: Yes. These amounts represent the appropriate level of O&M cost as included in the company's request. Tampa Electric Company believes that it is appropriate to focus on total O&M cost control and, as demonstrated by the benchmark calculation which this Commission has consistently used over the last several years, Tampa Electric Company has prudently managed its expenses. (Lefler)

OPC: No. Fossil O&M expenses should be reduced by \$7,898,000 (\$8,194,289 system). If the jurisdictional factors provided by Tampa Electric are accepted, the appropriate level of Total Fossil O&M expenses for the 1993 projected test year is \$70,765,000 (\$73,419,711 system). See position on Issue 69.

FIPUG: No position.
LEAF: No position.
CITY: No position.
DAF: No position.
PASCO: No position.

STAFF: No position pending further discovery.

ISSUE 69: Is Tampa Electric's requested level of Fossil Production O&M expense in the amount of \$7,897,627 (\$8,198,981 system) associated with the Hookers Point generating plant for the 1993 and 1994 test years appropriate?

TECO: The appropriate amounts of O&M related to the Hooker's Point generating plant are \$7,805,667 (\$8,101,343 system) for 1993 and \$8,125,576 (\$8,433,498 system) for 1994. These O&M expenses associated with the Hooker's Point plant are appropriate. This plant was returned to service in late 1990 and early 1991 ahead of the company's planned 1992 restart in response to the Commission's concerns regarding the status of cold standby plants following the December 1989 Christmas freeze. This plant is required year round to insure the Tampa Electric system reliability by providing adequate reserve margins. Without this station the Loss of Load Probability (LOLP) for the Tampa Electric system rises to unacceptable levels. (Lefler, Ramil)

OPC: No. The O&M expense associated with Hookers Point should be disallowed. Fossil O&M expense should be reduced \$7,897,627 (\$8,198,981 system) for the 1993 projected test year. (Schultz, Stewart)

FIPUG: No position.

LEAF: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No position pending further discovery.

ISSUE 70: Is Tampa Electric's requested level of Transmission O&M expenses in the amount of \$7,486,000 (\$7,644,000 System) for the 1993 projected test year and \$7,971,000 (\$8,139,000 system) for the

1994 subsequent test year appropriate?

TECO: Yes. These amounts represent the appropriate level of O&M cost as included in the company's request. Tampa Electric Company believes that it is appropriate to focus on total O&M cost control and, as demonstrated by the Commission's benchmark calculation, Tampa Electric Company has managed its expenses appropriately. (Lefler)

OPC: No position.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No position pending further discovery.

ISSUE 71: Is Tampa Electric's requested level of Distribution O&M expenses in the amount of \$28,279,000 (\$28,284,000 System) for the 1993 projected test year and \$30,117,000 (\$30,122,000 system) for the 1994 subsequent test year appropriate?

TECO: Yes. These amounts represent the appropriate level of O&M cost as included in the company's request. Tampa Electric Company believes that it is appropriate to focus on total O&M cost control and, as demonstrated by the Commission's benchmark calculation, Tampa Electric Company has managed its expenses appropriately. (Lefler)

OPC: No. The level of Distribution Expense should be reduced by \$1,126,000 (\$1,126,000 system). See position on Issue 73.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No position pending further discovery.

ISSUE 72: Should Miscellaneous Prepaid Items (Account 165.50) be reduced for prepaid pensions?

TECO: Account 165.50 reflects a prepaid pension amount of \$1,940,000 for the 1993 test year. No adjustment is necessary as this represents tax deductible payments to the pension trust which were necessary to meet estimated minimum requirements of ERISA. (Lefler)

OPC: No position.

FIPUG: No position.

LEAF: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No position.

STAFF: Staff witness Bouckaert testifies that Miscellaneous Prepaid Items should be reduced for prepaid pensions.

ISSUE 73: Is Tampa Electric's requested level of Distribution expense in the amount of \$6,257,305 (\$6,257,305 system) associated with tree trimming expense for the 1993 and 1994 test years appropriate?

TECO: The appropriate amounts of O&M related to the distribution tree trimming expense are \$6,257,305 (\$6,257,305 system) for the 1993 and \$6,663,673 (\$6,663,673 system) for 1994. These expenses related to tree trimming are appropriate. The

amounts budgeted recognize the significance of improving service reliability to our Customers and are necessary and prudent levels of expenditures. (Lefler)

OPC: No. Tree trimming expense should be reduced by \$1,126,000 (\$1,126,000) for the 1993 projected test year.

FIPUG: No position.

LEAF: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No position.

STAFF: No position pending further discovery.

ISSUE 74: Is Tampa Electric's requested level of Customer Accounts Expense in the amount of \$19,050,000 (\$19,053,000 system) for the 1993 projected test year and \$20,289,000 (\$20,292,000 system) for the 1994 subsequent test year appropriate?

TECO: Yes. These amounts represent the appropriate level of O&M cost as included in the company's request. Tampa Electric Company believes that it is appropriate to focus on total O&M cost control and, as demonstrated by the Commission's benchmark calculation, Tampa Electric Company has managed its expenses appropriately. (Lefler)

OPC: No position.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO:

No position.

STAFF:

No position pending further discovery.

ISSUE 75:

Is Tampa Electric's requested level of Customer Service Expense in the amount of \$2,923,000 (\$2,923,000 system) for the 1993 projected test year and \$3,112,000 (\$3,112,000 system) for the 1994 subsequent test year appropriate?

TECO:

Yes. These amounts represent the appropriate level of O&M cost as included in the company's request. Tampa Electric Company believes that it is appropriate to focus on total O&M cost control and, as demonstrated by the Commission's benchmark calculation, Tampa Electric Company has managed its expenses appropriately. (Lefler)

OPC:

No. Customer Service expense should be reduced by \$50,635 (\$50,635 system). See position on Issue 50. (Shultz)

FIPUG:

No position.

LEAF/RYAN:

No position.

CITY:

No position.

DAF:

No position.

PASCO:

No position.

STAFF:

No position pending further discovery.

ISSUE 76:

Is Tampa Electric's requested level of Sales Expense in the amount of \$280,000 (\$280,000 system) for the 1993 projected test year and \$298,000 (\$298,000 system) for the 1994 subsequent test year appropriate?

TECO:

Yes. These amounts represent the appropriate level of O&M cost as included in the company's request. Tampa Electric Company believes that it is appropriate to focus on total O&M cost control and, as demonstrated by the Commission's benchmark calculation, Tampa Electric Company has managed its

expenses appropriately. (Lefler)

OPC: No position.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No position pending further discovery.

ISSUE 77: Is Tampa Electric's requested level of Administrative and General Expense in the amount of \$73,407,000 (\$75,372,000 system) for the 1993 projected test year and \$77,544,000 (\$79,646,000 system) for the 1994 subsequent test year appropriate?

TECO: Yes. These amounts represent the appropriate level of O&M cost as included in the company's request. Tampa Electric Company believes that it is appropriate to focus on total O&M cost control and, as demonstrated by the Commission's benchmark calculation, Tampa Electric Company has managed its expenses appropriately. (Lefler)

OPC: No. For the 1993 projected test year, the level of Administrative and General expense should be decreased by \$10,066,328 (\$10,303,831 system). This decrease is the sum total of the adjustments in issues 54, 64, & 83. For the 1993 projected test year the appropriate level of Administrative and General Expense is \$63,340,672 (\$64,268,169).

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: Yes, except for specific adjustments to Administrative and General Expenses made under specific issues.

ISSUE 78: What adjustments should be made to test year depreciation expense to reflect the depreciation rates approved by the Commission in Docket No. 920618-EI?

TECO: No adjustments should be made to depreciation expense. However, if the Commission changes the interim rates approved for Big Bend and Gannon Stations and approves any reserve transfers, the effect should be reflected in test year expenses and rate base. (Lefler)

OPC: No position.

FIPUG: No position.

LEAF: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No position pending further discovery.

ISSUE 79: Is Tampa Electric's requested level of Operation and Maintenance Expense in the amount of \$217,355,000 (\$222,686,000 system) for the 1993 projected test year and \$228,732,000 (\$234,340,000 system) for the 1994 subsequent test year appropriate?

TECO: Yes. These amounts represent the appropriate level of total O&M cost as shown on MFR C-9. For purposes of assessing Tampa Electric Company's performance relative to the O&M benchmark the O&M amounts shown on MFR C-57 are the appropriate amounts to use.

The company believes that it is appropriate to focus on our total O&M cost control and, as demonstrated by the benchmark calculation which this Commission has consistently used over the last several years, Tampa Electric Company has managed its expenses appropriately. MFR C-57 demonstrates that Tampa Electric is \$14,134,000 under the Commission benchmark on a total company basis for 1993. (Lefler)

OPC: No. For the 1993 projected test year, the level of O&M expense should be reduced by \$24,023,635 (\$24,678,353 system). This adjustment is the sum total of the adjustments in Issues 50, 54, 57, 59, 62, 64, 69, & 73. For the 1993 projected test year, the appropriate level of O&M expense should be \$193,331,365 (\$198,007,647 system).

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: This is a calculation dependent upon the resolution of the O&M issues.

DEPRECIATION EXPENSE:

ISSUE 80: Is Tampa Electric's depreciation expense for 1993 and 1994 associated with the acquisition of Sebring Utilities Commission's electric generation system and associated transmission facilities appropriate?

TECO: Yes. The appropriate depreciation expense of \$2,434,757 (\$2,542,030 system) for 1993 and \$2,367,711 (\$2,472,030 system) for 1994 associated with the acquisition of Sebring Utilities Commission's electric generation system and associated transmission facilities has been included in the company's filing. (Lefler)

OPC: No position.
FIPUG: No position.
LEAF/RYAN: No position.
CITY: No position.
DAF: No position.
PASCO: No position.
STAFF: No position pending further discovery.

ISSUE 81:

Are adjustments to Depreciation Expense related to the Dravo-Wellman bucket unloader contract appropriate for any test year?

TECO:

No. No adjustments are necessary to Depreciation Expense or any other cost as related to the Dravo-Wellman bucket unloader contract. (Lefler)

OPC:

No position.

FIPUG:

No position.

LEAF/RYAN:

No position.

CITY:

No position.

DAF:

No position.

PASCO:

No position.

STAFF:

Yes. Staff witness Bouckaert proposes through testimony and audit disclosure number 9 adjustments to reduce depreciation expense by \$1,887 (\$2,093 System) for 1993 and \$1,884 (\$2,093 System) for 1994.

ISSUE 82:

Should requested levels of O&M expenses below the Commission established benchmark be subject to a test of prudence?

TECO:

No additional tests of prudence are required for

O&M expenses below the Commission established benchmark levels. The Commission has many vehicles to test the prudence of the company's O&M expense levels both in the course of this rate proceeding and on an ongoing basis. The Commission's staff conducts management audits of various company functions on an ongoing basis. In the course of these proceedings the Commission's field auditors have spent many weeks reviewing the books and records of the company. All intervenors in this case have been free to explore the areas of O&M that they felt were appropriate to review. In all cases the company has responded to these requests for documents and/or data. We believe that the Commission has fulfilled its obligation to review all O&M expenses for prudence. (Lefler)

OPC: Yes.

FIPUG: No position.

LEAF: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No position.

ISSUE 83: Is Tampa Electric's requested Depreciation Expense of \$102,642,000 (\$107,168,000 system) for the 1993 projected test year and \$107,980,000 (\$112,740,000 system) for the 1994 subsequent test year appropriate?

TECO: Yes. The depreciation expense which has been budgeted for 1993 and projected for 1994 has been calculated using rates approved by the Commission, which are appropriate to use in this proceeding. (Lefler)

OPC: No. Depreciation expense should be reduced by \$2,187,000 (\$2,283,436) for the 1993 projected test year.

FIPUG: No position.
LEAF/RYAN: No position.
CITY: No position.
DAF: No position.
PASCO: No position.
STAFF: No position pending further discovery.

TAXES OTHER THAN INCOME TAX:

ISSUE 84: Is Tampa Electric's requested level of Taxes Other Than Income Taxes in the amount of \$39,762,000 (\$41,662,000 system) for the 1993 projected test year and \$41,960,000 (\$43,965,000 system) for the 1994 subsequent test year appropriate?

TECO: Yes. Tampa Electric Company has budgeted and projected the appropriate level of Taxes - Other Than Income Taxes for the 1993 and 1994 test years. (Lefler)

OPC: No position.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No.

INCOME TAX EXPENSE:

ISSUE 85: Should an adjustment be made to the level of interest synchronization budgeted by Tampa Electric in 1993 and 1994?

TECO: The interest synchronization is a function of the

weighted cost of debt and rate base. To the extent that adjustments change these components, the interest synchronization should be recalculated to reflect any change. (Simokat)

OPC: Yes. Interest synchronization should be reduced by \$1,159,000. (Shultz)

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: Yes, however only for the effect of adjustments to the company's filing.

ISSUE 86: Is Tampa Electric's requested Income Tax expense in the amount of \$47,028,000 (\$50,097,000 system) for the 1993 projected test year and \$60,619,000 (\$63,389,000 system) for the 1994 subsequent test year appropriate?

TECO: Yes. The requested income tax expense amounts are appropriate. However, the company requested \$60,446,000 (\$63,207,000 system) for 1994. (McKnight, Simokat)

OPC: No position.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No position pending resolution of other issues.

NET OPERATING INCOME:

ISSUE 87: Is Tampa Electric's requested Net Operating Income of \$141,416,000 (\$150,030,000 system) for the 1993 projected test year and \$173,465,000 (\$181,809,000 system) for the 1994 subsequent test year appropriate?

TECO: Yes. However the company requested \$173,638,000 (\$181,991,000 system) for 1994. (Lefler, Simokat)

OPC: No. Jurisdictional Net Operating Income should be increased by \$15,443,000. This adjustment is the sum total of adjustments. The appropriate jurisdictional level of Net Operating Income for the 1993 projected test year is \$156,859,000.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No position at this time pending further discovery.

REVENUE REQUIREMENTS

ISSUE 88: Are Tampa Electric's proposed revenue expansion factors appropriate?

TECO: Yes. The company's proposed revenue expansion factors are appropriate provided the gross receipts taxes receive separate line item treatment for billing purposes. (Simokat)

OPC: No position.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No position pending further discovery.

ISSUE 89: Were settlement charges in the amount of \$850,000 by Utley-James/Oakes on contract BB4-04 appropriate?

TECO: Yes. This was an appropriate settlement that is common in a major construction project of this type, and the effects of this cost should be included in the cost of Big Bend Unit 4 as previously approved by this Commission and recovered over the life of this unit. (Lefler, Ramil)

OPC: No position.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No. Staff witness Davis that these charges were not appropriate and should be expensed rather than capitalized.

ISSUE 90: Has Tampa Electric demonstrated that capacity associated with the Hardee Power Station is needed for its retail ratepayers in 1993 and 1994?

TECO: Yes. This need was demonstrated in the Hardee Power Station need hearing Docket No. 880309-EC and that need was subsequently reestablished in other dockets before the Commission. (Ramil)

OPC: No. If Hookers Point is included in Rate Base,

Tampa Electric will have an adequate reserve margin without the Hardee power station.

FIPUG: No position.
LEAF/RYAN: No position.
CITY: No position.
DAF: No position.
PASCO: No position.
STAFF: No position pending further discovery.

ISSUE 91: TECO has requested that the capacity costs associated with the purchase of power from the Hardee Power Station be flowed through the new Capacity Cost Recovery Factor. Is this treatment appropriate?

TECO: Yes. This treatment is consistent with recovery as contemplated through the capacity cost recovery factor. (Ramil)

OPC: No.

FIPUG: Yes.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No position pending further discovery.

ISSUE 92: Has TECO demonstrated that the amount of capacity charges for the Hardee Power Station it proposes to collect through the Capacity Cost Recovery Factor are appropriate?

TECO: Yes. The capacity charges proposed are in accordance with the power sales contract as

approved by the Commission in Docket No. 880309-EC
(In re: Petition of Seminole Electric Cooperative, Inc., TECO Power Services Corporation and Tampa Electric Company for a Determination of Need for Proposed Electric Power Plant.) (Ramil)

OPC: No.
FIPUG: No position.
LEAF/RYAN: No position.
CITY: No position.
DAF: No position.
PASCO: No position.
STAFF: No position pending further discovery.

ISSUE 93: TECO has requested that the fuel and O&M costs associated with the purchase of power from the Hardee Power Station be flowed through the Fuel Adjustment Clause. Is this treatment appropriate?

TECO: Yes. Recovering fuel and O&M costs through the fuel adjustment clause is consistent with the Commission's treatment of other power purchases by Tampa Electric. (Lester, Ramil)

OPC: No.
FIPUG: No position.
LEAF/RYAN: No position.
CITY: No position.
DAF: No position.
PASCO: No position.
STAFF: No position pending further discovery.

ISSUE 94: Should Tampa Electric receive a reward/penalty for corporate performance in the areas of residential

rates, customer service, and energy efficiency programs?

TECO:

While Tampa Electric believes it has performed well in these areas, it has not proposed a reward for corporate performance.

Tampa Electric has maintained reasonable electric rates as compared to other Florida utilities even while facing many changes. Over the last few years the company carried out state and federal policies to reduce oil and gas consumption; has had to contend with a depressed oil and gas price market; has been faced with a very significant shift to waste heat cogeneration by several of its large customers; and has had to make the very difficult decision of adding an appropriate amount of plant and capacity to meet customer reliability needs.

Tampa Electric provides outstanding Customer service. Customer complaints against Tampa Electric have decreased in each year since 1987 except in 1991 where there were three more complaints than were experienced in 1990. Complaints have decreased 18% in the first six months of 1992. In addition, complaints against Tampa Electric have decreased 47% since 1987, while complaint activity against the industry as a whole has decreased 35%.

The company has a full array of residential, commercial and industrial conservation and energy efficiency programs. Moreover, the company is a participant in the EPA Green Lights Program and is helping sponsor research in efficient grass mowing and automobile transportation. The company's Polk Unit 1 will be a model in the efficient use of coal, our nation's most abundant energy resource.

The issue of incentives for demand side management programs is already before the Commission in a generic rulemaking proceeding in Docket No. 920606-EU scheduled to be heard in December of this year. (Anderson)

OPC:

Tampa Electric's approved cost of equity should be reduced by 10 basis points as a penalty for high residential rates.

the Florida Energy Broker system when making off-system sales?

TECO: Yes. The Energy Broker system is set up to accommodate one hour, as-available transactions as the last resort for utilities to maximize their system benefits. (Ramil)

OPC: No.

PIPUG: No. (Falkenberg)

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No. TECO is bypassing broker economy sales, the profits of which are split 20% to stockholders and 80% to ratepayers pursuant to Order No. 12923 (Docket No. 830001-EU-B) in order to make other off-system sales, the revenues of which all go to benefit the stockholders. TECO may be taking this action as a result of the Commissioner's treatment of surplus Big Bend capacity in TECO's last rate case (Docket No. 850050-EI). In TECO's last rate case, the Commission established an off-system sales target for surplus Big Bend capacity by imputing approximately \$37,000,000 of sales revenue. This gave TECO an incentive to make as many non-Broker sales as possible since 100% of non-Broker sales revenues offset the sales revenue imputation made by the Commission in the last rate case. In the current rate case, staff would propose to eliminate any incentive to by-pass the Broker by allowing all off-system sales revenues to be reflected as a credit in the Fuel and Purchased Power Cost Recovery Clause. Staff believes that when, because of long term cost-effectiveness, a utility constructs additional generating capacity which results in temporary surplus power and that capacity is included in rate base, a prudent utility earning a fair rate of return should seek every opportunity to sell the surplus generating capacity and energy to other utilities. Revenues

from these sales should accrue to the ratepayers since they are paying to carry the surplus generating capacity in base rates. In order to assure that overrecovery or underrecovery does not occur, the costs and revenues of purchased power should be reflected as a credit in the Fuel and Purchased Power Cost Recovery Clause.

ISSUE 97: What is the appropriate treatment of revenues associated with off-system sales?

TECO: The appropriate treatment of revenues associated with off-system sales is a methodology that provides an appropriate incentive for the company to pursue sales that are beneficial to both the ratepayers and the company itself. The company's proposed treatment should be approved. (Ramil)

OPC: All off-system revenues should be included in "total company" revenues and subject to a traditional separation study.

FIPUG: It appears that TECO is presently marketing off-system sales by executing firm long-term wholesale contracts. To the extent that the capacity committed to these contracts is included in the retail rate base the revenues should be distributed primarily to retail customers. If interruptible customers are interrupted to accommodate the off-system sales, these customers should have first call on the revenues until the additional fuel charges they must pay for buy-throughs are off set. (Falkenberg)

LEAF: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: All revenues from off-system sales should be included as a credit in the Fuel and Purchased Power Cost Recovery Clause.

ISSUE 98:

Should Tampa Electric be allowed to retain for stockholder use a percentage of the capacity revenue from off-system sales?

TECO:

Yes. Tampa Electric has proposed a sharing of the benefits of "other" wholesale transactions described in Mr. Ramil's testimony in order to preserve an incentive for engaging in off-system sales which was incorporated in Tampa Electric's last full rate proceeding in Docket No. 850050-EI. The sharing of the proceeds from these off-system sales will encourage those sales and thereby directly benefit Tampa Electric's retail Customers.

Since these sales are much more difficult to market and to serve than broker system economy transactions for which the Commission has allowed a 20%/80% sharing of gains, Tampa Electric proposes that the Commission approve a sharing of capacity revenue for the company by allowing it to retain 60% of the capacity revenues below the line and flowing 40% of the capacity revenues from such sales to the company's retail Customers. (Ramil)

OPC:

No.

FIPUG:

The persons who are paying the carrying costs on the portion of the plant diverted to off-system sales should receive the preponderate share of the revenue derived from these sales. (Falkenberg)

LEAF/RYAN:

No position.

CITY:

No position.

DAF:

No position.

PASCO:

No position.

STAFF:

No. A prudent utility earning a fair rate of return should seek every opportunity to sell temporary surplus and capacity and energy to other utilities. Revenues from these sales should accrue to the benefit of the ratepayers since they are paying to carry any surplus capacity in base rates. In order to assure that no overrecoveries or underrecoveries occur, staff suggests that off-system sales revenues should be treated as a credit

in the Fuel and Purchased Power Cost Recovery Clause.

ISSUE 99:

Is it fair and appropriate to offer the Kissimmee Utility Authority, the Utilities Commission of the City of New Smyrna Beach, Reedy Creek Improvement District, the City of Wauchula and the Florida Municipal Power Association a rate based on the Big Bend Station plants whose costs are below the system average?

TECO:

Yes. The variable rates charged these Customers are equal to or greater than the incremental costs of making the sales and the fixed rates portion of these sales is greater than the system averaged cost for generation and transmission. Thus, the company is recovering its variable costs and fully recovering its average embedded and fixed costs. (Ramil)

OPC:

No.

FIPUG:

No position.

LEAF/RYAN:

No position.

CITY:

No position.

DAF:

No position.

PASCO:

No position.

STAFF:

No position at this time pending further discovery.

ISSUE 100:

Are Tampa Electric's separation of amounts for wholesale and retail jurisdictions appropriate?

TECO:

Yes. The separation of costs between the retail and wholesale jurisdictions has been done on a consistent and reasonable basis. (Gower)

OPC:

No. Tampa Electric has only included a portion of its wholesale transactions in its jurisdictional separation study.

FIPUG: Tampa Electric appears to be aggressively marketing off-system sales. An appropriate mechanism needs to be devised to properly allocate the proceeds from these sales and to protect interruptible consumers from being subjected to a greater number of interruptions than bargained for. Interruptible customers are committed to nonfirm service for a period of five years and face undue discrimination if TECO executes firm long-term contracts that dry up its reserve margin. (Falkenberg)

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No position pending further discovery.

COST OF SERVICE & RATE DESIGN

ISSUE 101: Should the interruptible service rate classes be treated in the cost of service study based on the class' load characteristics and be provided a credit based on the avoided cost?

TECO: No. No party to this case has filed testimony requesting such treatment. This should be dropped as an issue. Interruptible rates should be designed based on the 12 CP and 1/13 weighted average demand cost study which has been successfully used by Tampa Electric to design interruptible rates in the past and is proposed in this proceeding. (Smith)

OPC: No position.

FIPUG: It is incorrect and unduly discriminatory to treat non-firm interruptible customers in the cost of service study as though they are firm customers. (Falkenberg)

LEAF/RYAN: No position.

CITY: No position.
DAF: No position.
PASCO: No position.
STAFF: Yes. This treatment was proposed by FPC in its rate case and approved by stipulation.

ISSUE 102: Should TECO's demand side management rates, including interruptible and curtailable services, be made available without restrictions, to customers with a demand of 250 KW?

TECO: No. The interruptible rate was designed for customer characteristics (1,000 KW minimum load and service at primary voltage or higher) of those customers who are presently on the IS rate. (Smith)

OPC: No position.

FIPUG: No position.

LEAF: No position.

CITY: No position.

DAF: No position.

PASCO: Yes.

STAFF: No.

ISSUE 103: Should the existing closure and waiting list procedure associated with TECO's interruptible rates be eliminated?

TECO: No. At the present time the rate is open for an additional 8 MW of load to qualifying customers. (Ramil)

OPC: No position.

FIPUG: No position.

LEAF: No position.

CITY: No position.

DAF: No position.

PASCO: Yes.

STAFF: No.

ISSUE 104: Are TECO's proposed interruptible rates cost effective within the meaning of Rule 25-6.0438, Florida Administrative Code?

TECO: Yes. Tampa Electric's proposed interruptible rates are cost effective within the meaning of Rule 25-6.0438, Florida Administrative Code. (Ramil)

OPC: No position.

PIPUG: Yes.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No position pending further discovery.

ISSUE 105: What is the appropriate cost of service methodology to be used in designing the rates of Tampa Electric?

TECO: The appropriate methodology to use is the 12CP and 1/13 weighted average demand cost methodology. This methodology was used in Tampa Electric's 1980, 1982 and 1983 rate proceedings and in the rate proceedings of other electric utilities in Florida. This methodology results in a more reasonable allocation of costs to all Customer classes including interruptible Customers than the "equivalent peaker" method used in Tampa Electric's last full revenue requirements proceeding. (Gower, Smith)

OPC: No position.

FIPUG: Ten summer/winter peak methodology. (Falkenberg)

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: The appropriate methodology is the 12 CP and 1/13th weighted average demand method with the environmental equipment for Big Bend 4 classified as energy related. If this cost of service methodology is adopted, staff will raise the issue of the appropriateness of the exemption given to non-firm industrial customers from paying the Energy Conservation Cost Recovery factor in Docket No. 930002-EG.

ISSUE 106: Should the rate base for environmental investment, including the pollution control equipment, for Big Bend 4, be classified as energy related?

TECO: No. The cost of environmental equipment should be treated as a capacity cost consistent with the treatment of such investments in Gulf Power Docket No. 891345-EI, Florida Power Corporation Docket No. 910890-EI and other cases. (Gower, Ramil)

OPC: No position.

FIPUG: No. (Falkenberg)

LEAF: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: Yes.

ISSUE 107: Should lower load factor GSD customers have the option of paying an energy charge which is 120

percent of the GS energy charge in lieu of the GSD demand and energy charges as the company has proposed?

TECO: Yes. This rate design is a reasonable step toward making low load factor Customer rates more cost based. (Smith)

OPC: No position.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No position pending further discovery.

ISSUE 108: What is the appropriate level of credit per coincident KW for interruptible service (IS-1 and IS-3)?

TECO: This issue assumes that a credit approach to interruptible rate design is appropriate. Tampa Electric opposes this approach. The company's IS-1 and IS-3 rates should be established the way the company has proposed them in this proceeding. (Smith, Ramil)

OPC: No position.

FIPUG: The credit approach is inappropriate because it erroneously presumes interruptible customers to be firm customers in the cost study. (Falkenberg)

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No position pending further discovery.

ISSUE 109: Should the credits for interruptible service be distributed to IS customers on the basis of billing KW? If so, what is the appropriate level of credit per billing KW?

TECO: Tampa Electric opposes a credit approach to interruptible rate design. If such an approach is ordered by the Commission over Tampa Electric's objection, the credit should be distributed to IS Customers on the basis of billing KW. (Smith)

OPC: No position.

FIPUG: FIPUG opposes the credit approach: if the traditional treatment of interruptible rate design is adopted, this issue will be moot. If the credit approach is used maximum kw should be used in the distribution formula to avoid discriminating against customers which have diverted their demand to off peak periods in response to TECO's time of use rates designed to promote conservation. (Falkenberg)

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: The credit for interruptible service should be distributed on the basis of on-peak billing KW for the time-of-use rate, and on billing KW for the standard rate. The amount of the credit would be determined by dividing the product of the avoided CP KW for the class times the avoided cost per CP KW by the sum of the on-peak billing KW for the time of use customers and the billing KW for the standard customers. Both avoided CP KW and the avoided cost per CP KW should either be at the meter or at the generation level.

ISSUE 110: How should the credits for interruptible service be recovered from ratepayers?

TECO: Tampa Electric opposes a credit approach to interruptible rate design. If such a credit is ordered by the Commission over Tampa Electric's objection, it should be recovered only from firm Customers. (Smith)

OPC: No position.

FIPUG: FIPUG opposes the credit approach. If such a credit is used, it should be recovered only from firm customers. (Falkenberg)

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: It should be recovered through the ECCR clause and should be allocated to rate classes based on the methodology currently employed in the Capacity Cost Recovery mechanism of the Fuel and Purchased Power Cost Recovery clause, beginning with the six-month period of April through September, 1993. It should be recovered from all rate classes.

ISSUE 111: Is Tampa Electric's proposal to state the power factor as a range of 85% to 90%, with a penalty for a power factor below 85% and a credit for a power factor above 90% appropriate?

TECO: Yes. (Smith)

OPC: No position.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: Yes.

ISSUE 112: What is the appropriate credit and penalty applicable as a result of the power factor clause?

TECO: It is appropriate to set the level of penalties and discounts at a level that reflects the costs that the company or the Customer would incur to achieve the appropriate power factor correction. The power factor penalty should be set at twice the level of the credit in an attempt to encourage Customers to improve their power factor to at least 85%. The power factor clause as proposed by the company and described in the company's filing sets out the calculation of the appropriate credit or penalty. (Smith)

OPC: No position.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: Tampa Electric's proposed credit and penalty are appropriate.

ISSUE 113: Should the power factor be stated as the average power factor for the billing period or as the customer's power factor only during its peak demand period?

TECO: The power factor should be stated as the average power factor because power factor is important at all times, not just during peak demand periods. (Smith)

OPC: No position.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: Tampa Electric's proposal to determine the power factor based on average for the billing period is appropriate.

ISSUE 114: What is the appropriate transformer discount?

TECO: The appropriate transformer discount for GSLD Customers is 36¢ per KW at primary level and 59¢ per KW at subtransmission level and 23¢ for subtransmission level IS Customers. This is supported by Item No. 4 of Staff's 2nd Data Request. (Smith, Gower)

OPC: No position.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No position pending further discovery.

ISSUE 115: Are Tampa Electric's proposed changes in the Tariff Agreements for the purchase of firm and interruptible standby and supplemental service appropriate?

TECO: Yes, assuming the company's proposed revision of definitions in its standby rates are approved. (Smith)

OPC: No position.

FIPUG: Yes.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: Yes.

ISSUE 116: What are the appropriate level of charges for 1993 and 1994 for the Firm Standby rate schedule?

TECO: The standby rate must have a reasonable relationship to the full service rate and standby rate should also reflect any interclass or intraclass subsidy. Interclass subsidies exist to the extent rates are not set at parity. Intraclass subsidies exist to the extent Customer, energy and demand charges vary from cost within each class. The standby rates must be designed in recognition of any deviation from costs that are inherent in the full service rates approved by the Commission. (Smith)

OPC: No position.

FIPUG: Agree with TECO.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: The firm standby service rate charges should be designed using unit costs from a compliance cost of service study and the rate design specified in Order No. 17159 with a possible exception of the forced outage rate used in calculating the reservation charge. The company should provide the staff with a compliance cost of service study and

the standby service rates calculated in accordance with this recommendation.

ISSUE 117:

What are the appropriate level of charges for 1993 and 1994 for the Interruptible Standby rate schedule?

TECO:

The standby rate must have a reasonable relationship to the full service rate and standby rate should also reflect any interclass or intraclass subsidy. Interclass subsidies exist to the extent rates are not set at parity. Intraclass subsidies exist to the extent Customer, energy and demand charges vary from cost within each class. The standby rates must be designed in recognition of any deviation from costs that are inherent in the full service rates approved by the Commission. (Smith)

OPC:

No position.

PIPUG:

No position.

LEAF/RYAN:

No position.

CITY:

No position.

DAF:

No position.

PASCO:

No position.

STAFF:

The interruptible standby service rate charges should be designed using unit costs from a compliance cost of service study and the rate design specified in Order No. 17159 with a possible exception of the forced outage rate used in calculating the reservation charge. The company should provide the staff with a compliance cost of service study and the standby service rates calculated in accordance with this recommendation.

ISSUE 118:

Should the power factor clause apply to the standby portion as well as the supplemental portion of a standby service customer's load?

TECO:

Yes. (Smith)

OPC: No position.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: Yes.

ISSUE 119: What are the appropriate customer charges for 1993 and 1994?

TECO: The appropriate customer charges for 1993 and 1994 are identical and are set out for each rate schedule in MFR Schedule E-16c. (Smith)

OPC: No position.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: The customer charges proposed by Tampa Electric are appropriate.

ISSUE 120: What are the appropriate service charges for 1993 and 1994?

TECO: The appropriate service charges for 1993 and 1994 are identical and are set out in MFR Schedule E-16b. (Smith)

OPC: No position.

FIPUG: No position.

LEAF/RYAN: No position.
CITY: No position.
DAF: No position.
PASCO: No position.
STAFF: The service charges proposed by Tampa Electric are appropriate.

ISSUE 121: What is the appropriate time of use rate design?

TECO: The appropriate time of use rate design retains the present design of charging for demand that occurs during the defined peak periods only. Some customers may have made significant investment in equipment to take advantage of the time of use aspects of Tampa Electric's tariffs. Absent convincing evidence that the company's cost pattern by time of use has changed, it would be inappropriate to change the existing demand and energy relationships between standard tariffs and time of use tariffs. (Smith)

OPC: No position.

FIPUG: No position.

LFAP/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: For the non-demand classes, the off-peak non-fuel energy cost should be set at the class's energy unit costs, and the on-peak energy charge should recover the balance of the class's revenue requirements less the customer charge revenue. For demand classes, the off-peak non-fuel energy charge should be set at the class's energy unit cost, the maximum demand charge should recover the distribution unit costs, the on-peak demand charge should recover transmission and production costs,

and the on-peak energy charge should recover the balance of the class's revenue requirement less the customer charge revenue.

ISSUE 122: What are the appropriate lighting rate schedule charges for 1993 and 1994?

TECO: The appropriate lighting rate schedules are set out in MFR Schedule E-16d for 1993 and 1994. (Smith)

OPC: No position.

PIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: Energy charges for street and outdoor lighting should be set so as to recover the total non-fuel energy, customer, and demand costs allocated to the class at the approved rate of return. Maintenance charges should be set to recover the total cost of maintaining the fixtures. The remaining revenue for lighting fixtures should be recovered through the fixture charges. Pole charges should be set to recover the revenue requirement for poles at the class approved rate of return.

ISSUE 123: Should the Street Lighting (SL-1) and Outdoor Lighting (OL-2 and OL-3) rate schedules include a provision which requires replacement of company-owned lamps within 72 hours after the customer notifies Tampa Electric Company the lamp is burned out?

TECO: No. Cost effective staffing levels require that company personnel prioritize tasks and sequence them, rather than having such personnel on hand to respond within 72 hours. On occasion, personnel must attend to restoration of firm service for periods exceeding 72 hours before relamping of

street lights can be addressed. Consistent with these needs, the company makes every effort to relamp lighting promptly after notification. No such provision is necessary or appropriate. If the Commission orders such a requirement, it should also recognize an additional revenue requirement to cover the costs of compliance. (Smith)

OPC: No position.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: Yes.

ISSUE 124: What is the appropriate level of the Emergency Relay Power Supply Charge on the general service demand, interruptible and standby and supplemental service rate schedules?

TECO: The appropriate level of the Emergency Relay Power Service Charge is set out for the applicable rate schedules in MFR Schedule E-16c. The change is supported by Item No. 4 of Staff's 2nd Data Request. (Smith, Gower)

OPC: No position.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No position pending further discovery.

ISSUE 125:

What is the correct method to determine the amount of CIAC a customer is required to contribute to receive Emergency Relay Power Supply?

TECO:

The CIAC should be equal to the cost of additional facilities required to provide emergency relay power service. The cost of such facilities is contained in the response to Interrogatory No. 34 of Staff's 5th Set. (Gower)

OPC:

No position.

FIPUG:

No position.

LEAF/RYAN:

No position.

CITY:

No position.

DAF:

No position.

PASCO:

No position.

STAFF:

No position pending further discovery.

ISSUE 126:

What is the correct method to determine the amount of CIAC a customer is required to contribute to purchase a Time-of-Day meter?

TECO:

The customer option to contribute a CIAC to purchase a Time-of-Day meter should be discontinued because of lack of customer interest. However, if the CIAC option is continued, the amount required should be equal to the difference in current cost between a regular meter and a Time-of-Day meter. (Gower)

OPC:

No position.

FIPUG:

No position.

LEAF/RYAN:

No position.

CITY:

No position.

DAF:

No position.

PASCO:

No position.

STAFF: No position pending further discovery.

OTHER:

ISSUE 127: Should Tampa Electric be required to justify any instance in which it does not competitively bid contracts for Architect/Engineering services for power plant construction?

TECO: Tampa Electric's policy since 1981 is to bid these contracts and the company would be prepared to justify any decision not to bid a particular project. (Ramil)

OPC: No position.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No position pending further discovery.

ISSUE 128: Should Tampa Electric implement revenue and sales decoupling? And, if so, how?

TECO: No. Decoupling is a complex regulatory concept which can have far reaching impacts on electric utilities, the Customers they serve and the regulatory agency which oversees their rates, charges, and service. If this Commission is disposed to examine decoupling, such examination should take place in a separate, generic proceeding rather than being added as an issue in an individual utility's rate case. Any move in the direction of decoupling would require significant policy changes which should be taken up by the full Commission after receiving and evaluating input from all affected persons. Docket No. 920606-EG covers incentives for DSM performance. Rulemaking

is scheduled to be heard in December of this year. This is the appropriate docket for the subject of DSM incentives. (Kordecki)

OPC: No position.

FIPUG: Agrees with Tampa Electric.

LEAF: The position of LEAF, et. al. responds to the two separate questions stated in this general issue (i.e. "Should TECO implement decoupling?" and, if so "How should TECO implement decoupling?") as follows:

SHOULD TECO IMPLEMENT DECOUPLING?

Yes. For the following reasons, the Commission should adopt a rate adjustment mechanism that eliminates ("decouples") the current regulatory connection between TECO's level of sales and the amount of revenue the company is authorized to keep.

Decoupling Would Remove Powerful Economic Disincentives to TECO's Provision of Reliable Energy Services at Least Cost.

The economic incentives created by regulatory practices exert a powerful influence on utility actions. The current connection between utility revenues and sales gives TECO a strong incentive to maximize electric sales between rate cases. Every additional kWh TECO sells between rate cases increases its profits, and every kWh customers do not buy due to conservation reduces TECO's bottom line. Thus, the economic incentives created by current regulatory practice strongly discourage TECO's investment in even low cost energy conservation.

In order to provide energy services at the lowest cost, the costs and benefits of all potential resource options must be evaluated on a level playing field. Current regulatory practice discourages TECO's investment in DSM resources and fails to provide the level playing field for demand and supply-side resources that is essential to TECO's provision of reliable energy services at least cost.

Decoupling TECO's revenues and sales is an essential first step to correcting current incentives--to aligning TECO's economic interests with those of its customers. Since utility regulation ought to provide the greatest rewards for utility actions which provide reliable energy services at least cost to customers, the Commission should decouple TECO's revenues and sales.

Decoupling would Remove Powerful Economic Disincentives to TECO's Implementation of Energy Efficiency Programs that Reduce Energy Usage.

Under current regulatory practice, increased sales always increase TECO's profits and lower sales always cut TECO's earnings. This direct connection between TECO's sales and revenues is a potent economic disincentive to TECO's implementation of energy efficiency programs that reduce energy usage. Even low cost efficiency programs are discouraged -- not only programs that would reduce revenue requirements and total customer costs, but also those that would reduce average rates -- since all such programs would reduce TECO's profits. Thus, current regulatory practice induces TECO to exclude from its planning process, resource options that will reduce sales, even if those options would reduce total revenue requirements and customer costs. In order to "get the incentives right," the Commission should adopt a revenue adjustment mechanism that ends the connection between TECO's level of sales and revenues.

Decoupling would improve TECO's achievements pursuant to the Legislature's directive to increase the efficiency of energy use.

The Florida Energy Efficiency and Conservation Act ("FEECA"), states the legislature's findings that (1) the use of energy conservation systems is "critical" to the "health, prosperity, and general welfare of the state and its citizens," and that (2) "reduction in and control of the growth rates of electric consumption...are of particular importance." Sections 366.81, and 366.82, F.S. Decoupling would remove a powerful economic disincentive to TECO's implementation of energy efficiency programs that reduce energy use and improve TECO's performance under FEECA.

The Legislature has, in addition, specifically authorized the Commission to establish rates designed to encourage energy conservation or energy efficiency. Sections 366.075 and 366.81, F.S. Decoupling revenues and sales removes the risk that innovative rate designs would adversely influence TECO's revenue stream. As a result, decoupling would permit greater freedom to experiment with rates designed to encourage energy conservation or efficiency. (Stutz)

HOW SHOULD TECO IMPLEMENT DECOUPLING?

The Commission should adopt a Revenue per Customer decoupling mechanism for TECO. Revenue per Customer decoupling is likely to be the most effective for TECO in light of other relevant regulatory policies and practices applicable to the company. Both the Revenue Per Customer and ERAM decoupling mechanisms would

effectively end TECO's current disincentive to provide reliable energy services at least cost and to invest in energy efficiency resources. However, Revenue per Customer ("RPC") decoupling--with or without annual adjustments--is administratively simpler to implement and may provide the strongest incentives to minimize the costs of providing reliable electric services. (Stutz)

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No position pending further discovery.

ISSUE 129: Should Tampa Electric implement Demand Side Management incentives? And, if so, how?

TECO: No. This proceeding is not the appropriate forum to address these issues. If the Commission is disposed to address or consider demand side management incentives, this should be accomplished in a separate generic proceeding rather than being added as an issue in an individual utility's rate case. Any move to implement demand side management incentives would involve significant policy issues which should be considered by the full Commission and only after receiving and evaluating input from all affected persons. (Kordecki)

OPC: No position.

FIPUG: Agrees with Tampa Electric.

LEAF: The position of LEAF, et. al., responds to the two separate questions stated in this general issue (i.e. "Should TECO implement DSM Incentives?" and, if so "How should TECO implement DSM Incentives?") as follows:

SHOULD TECO IMPLEMENT DSM INCENTIVES?

Yes. DSM incentives are necessary to provide a level playing field for demand and supply-side resources and make successful implementation of TECO's least cost plan the company's most

profitable course of action. Reasonable economic incentives for DSM will help TECO overcome institutional biases against programs that reduce energy use, perceptions of risk related to the size and persistence of DSM savings, and the numerous problems to be resolved in changing the nature of utility services. DSM incentives would also help TECO improve its performance in programs to increase the efficiency of energy use under the Florida Energy Efficiency Act, ("FEECA").

In order to provide the proper economic signals, the Commission's regulatory policies should assure that TECO is able to profit most from actions that reduce customer costs. A "shared savings" incentive mechanism, i.e., one that allows TECO to share in the financial rewards from energy efficiency programs that reduce both energy use and customer bills, would provide the right incentives for TECO and should be adopted by the Commission.

HOW SHOULD TECO IMPLEMENT DSM INCENTIVES?

The Commission should adopt a DSM incentive mechanism for TECO that includes the following features:

1) Financial rewards to TECO should be limited to a percentage of the financial savings achieved by TECO's customers as a result of the company's efficiency program efforts. An incentive mechanism that rewards TECO on the basis of its success in reducing customer bills is easy for interested parties to understand and, from a regulatory perspective, reasonable for providing economic encouragement for the utility to act in the public interest. However, to balance any inclination on the utility's part to limit DSM implementation only to the lowest cost and highest yield programs, TECO's percentage of energy cost savings should be higher if it captures a larger proportion of the energy savings potential identified.

2) The DSM incentive mechanism should include kWh saving targets and rewards for exceeding and penalties for failing to meet the targets. Targets, rewards and penalties are very important to an incentive mechanism. Although some parties would likely be more comfortable with an upper limit on the rewards available to TECO, and the company may prefer a limit on how much of a penalty it could incur for not attaining the targets, a cap on incentives could limit the company's interest in adding energy conservation programs that would reduce customer costs and is, therefore, not recommended.

3) The DSM incentive mechanism should be designed both to provide rewards for maximizing the acquisition of energy savings and, at the same time, minimizing the cost of acquiring it. Both types of incentive are necessary to avoid problems such as cream skimming, on the one hand, and spending more than is necessary, on the other. (Stutz)

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No position pending further discovery.

ISSUE 130: Is the development and use of an Integrated Resource Plan an essential element of Tampa Electric Company's providing reliable electric services at least cost?

TECO: Tampa Electric has an integrated resource plan in place. This plan is an essential element of Tampa Electric's provision of reliable and cost-effective service to its Customers. The definition of "least cost" is critical to understanding one's position on this issue. Tampa Electric favors an analysis which provides "the least cost to its Customers" consistent with considerations of safety, reliability and Customer service standards. The company adheres to the concept of minimizing revenue requirements consistent with the maintenance of appropriate safety, reliability and Customer service standards and other strategic considerations.

In its Order No. PSC-92-0002-FOF-EI issued on March 2, 1992 in the Tampa Electric Company Polk Unit One need determination proceeding (Docket No. 910883-EI) the Commission rejected FRG's argument that a "least cost" standard should be applied. Instead, in interpreting the phrase "most cost effective alternative available", the Commission recognized that the Legislature contemplated the consideration of a broad range of factors to determine the need for a proposed power plant, including electric system integrity and reliability and other

strategic matters that may be relevant to a particular case. The Commission concluded that the goal should be the provision of adequate and reliable electric service at a reasonable cost to the utility's customers.

OPC:

No position.

FIPUG:

No position.

LEAF/RYAN:

Yes. The only way TECO can determine if it is providing services at lowest cost to customers is to fairly evaluate and compare the costs and benefits of all potential resources options and then plan to acquire those options on a least cost basis--that is, to engage in what the industry calls Integrated Resource Planning. (Stutz)

CITY:

No position.

DAF:

No position.

PASCO:

No position.

STAFF:

No position pending further discovery.

ISSUE 131:

Should the Commission require Tampa Electric Company to employ Least Cost Integrated Resource Planning as the basis for resource acquisition and resource investment cost recovery in order to fix just, reasonable and compensatory rates pursuant to Section 366.041, F.S.?

TECO:

Tampa Electric already employs integrated resource planning and, consequently, no Commission requirement to that effect is necessary. The reference to "least cost" by FRG in framing this issue can be misleading. The Commission has indicated that the appropriate standard is "cost-effective" planning. Neither Tampa Electric nor the Commission should lose sight of the need to consider strategic factors which could affect the company's ability to meet appropriate safety, reliability and customer service standards. This Commission's "cost-effective" standard focuses on the minimum revenue requirements of Customers of

the utility. Any concept of "least cost" adopted by this Commission should be the minimization of the present worth of utility revenue requirements consistent with the provision of adequate service.

OPC: No position.

FIPUG: No position.

LEAF/RYAN: Yes. Rates established to reimburse a utility for resource acquisitions that are not shown to be the least cost options under an Integrated Resource Plan cannot be considered just and reasonable because there may be lower cost resources available to provide reliable power supply that would reduce utility revenue requirements and cut customer costs over the planning period. (Stutz)

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: No position at this time pending further discovery.

VII. EXHIBIT LIST

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
	TECO		Notice of Hearing
Anderson, Oak, Lefler, Ramil, Simokat, Smith, Gower, Moore	TECO		Schedule A Executive Summary
Lefler, Ramil, Simokat, Gower, McKnight	TECO		Schedule B Rate Base
Oak, Lefler, Ramil, Simokat, Moore, Surgenor, Gower, McKnight	TECO		Schedule C Net Operating Income
Oak, Lefler,	TECO		Schedule D

Simokat, Gower		Rate of Return
Gower	TECO	Jurisdictional Separation Studies
Gower	TECO	Cost of Service Studies
Lefler, Ramil Smith, Moore, Gower	TECO	Schedule E Cost of Service and Rate Design
Smith	TECO	Lighting, Incremental Cost Study (Supplement to E-17)
Anderson, Oak, Lefler, Ramil, Simokat, Smith, Moore, Surgenor	TECO	Schedule F Miscellaneous
Moore	TECO	Supplement to Schedule F-9 Forecasting Models
Simokat, Lefler, Gower, Ramil, Surgenor, Oak, Moore	TECO	Schedule B Rate Base; Schedule C Net Operating Income; Schedule D Rate of Return (1994)
Lefler, Ramil	TECO	Schedule B-17a and B-17b (1994)
Gower	TECO	Jurisdictional Separation Studies (1994)
Gower	TECO	Cost of Service Studies (1994)
Gower	TECO	Cost of Service Study (1994) pages 1, 2, 38, 96, 97 and 133 (Revised 9/2/92)
Lefler, Ramil, Smith, Moore,	TECO	Schedule E (1994) Cost of Service and

Gower

Rate Design

Smith

TECO

Schedule E-16a (1994)
Pages 1-8
(Revised 9/2/92)

Schedule E-16c (1994)
Pages 1-25
(Revised 9/2/92)

Schedule E-16d (1994)
Pages 1-7
(Revised 9/2/92)

Anderson

TECO

(GFA-1)

Exhibit of Girard F.
Anderson

Benore

TECO

(CAB-1)

Exhibit of Charles A.
Benore

Benore

TECO

(CAB-2)

Rebuttal Exhibit of
Charles A. Benore

Olson

TECO

(CEO-1)

Exhibit of Charles E.
Olson

Abrams

TECO

(WAA-1)

Exhibit of William A.
Abrams

Oak

TECO

(ADO-1)

Exhibit of Alan D. Oak

Moore

TECO

(WTM-1)

Exhibit of T. W. Moore

Ramil

TECO

(JBR-1)

Exhibit of John B.
Ramil

Ramil

TECO

(JBR-2)

Rebuttal Exhibit of
John B. Ramil

Simokat

TECO

(EAS-1)

Exhibit of Elizabeth
A. Simokat

Lefler

TECO

(LLL-1)

Exhibit of Lester L.
Lefler

Lefler

TECO

Rebuttal Exhibit of

ORDER NO. PSC-92-1163-PHO-EI
DOCKET NO. 920324-EI
PAGE 105

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
		(LLL-2)	Lester L. Lefler
Lefler	TECO	(LLL-3)	Response to Staff Audit
Surgenor	TECO	(KSS-1)	Exhibit of Keith S. Surgenor
McKnight	TECO	(BAM-1)	Exhibit of Benjamin A. McKnight
Gower	TECO	(HAG-1)	Exhibit of Hugh A. Gower
Smith	TECO	(LRS-1)	Exhibit of L. Roy Smith
Stewart	OPC	(SAS-1)	Steam O&M Expense (Composite) Documents 1-5
Montanaro	OPC	(VAM-1)	FAS 106 (Composite) Attachments 1-16
Parcell	OPC	(DCP-1)	Cost of Capital (Composite) Schedules 1-18
Schultz	OPC	(HWS-1)	Accounting Issues (Composite) Schedules 1-22
Falkenberg	FIPUG	(RJF-1)	Qualifications of Randall J. Falkenberg
Falkenberg	FIPUG	(RJF-2)	FPC and TECO Generating Capacity Mix and Load Factor
Falkenberg	FIPUG	(RJF-3)	Tampa Electric Co. Baseload v CT
Falkenberg	FIPUG	(RJF-4)	Tampa Electric Co. System Load Duration Curve

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Falkenberg	FIPUG	<u>(RJF-5)</u>	Capital Cost of TECO capacity
Falkenberg	FIPUG	<u>(RJF-6)</u>	Tampa Electric Alternative Technology Comparison
Falkenberg	FIPUG	<u>(RJF-7)</u>	Cost of Service Study Ten Summer/Winter Peak Method
Falkenberg	FIPUG	<u>(RJF-8)</u>	Tampa Electric Cost of Service Study Results
Falkenberg	FIPUG	<u>(RJF-9)</u>	Tampa Electric Cost of Service Study 12CP-Excluding Fuel
Falkenberg	FIPUG	<u>(RJF-10)</u>	Rebuttal Exhibit of Randall J. Falkenberg
Stutz	LEAF/Ryan	<u>(JS-1)</u>	Dr. Stutz's Testimony Before Regulatory Commissions
Stutz	LEAF/Ryan	<u>(JS-2)</u>	Differences Between Traditional Planning and Integrated Resource Planning
Stutz	LEAF/Ryan	<u>(JS-3)</u>	NARUC Resolution in Support of Incentives for Electric Utility Least-Cost Planning
Stutz	LEAF/Ryan	<u>(JS-4)</u>	"Military Briefing" Kicks Off Puget Power's Conservation War
Stutz	LEAF/Ryan	<u>(JS-5)</u>	TECO Growth: 1980-1990
Stutz	LEAF/Ryan	<u>(JS-6)</u>	Fair Allocation of DSM-Related Costs

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Stutz	LEAF/RYAN	(JS-7)	TECO 1992-2001 Forecast
Stutz	LEAF/RYAN	(JS-8)	Short-Run Sales Increases Are Always Very Profitable: An Example
Stutz	LEAF/RYAN	(JS-9)	Characteristics Associated with High DSM Program Participation Rates
Stutz	LEAF/RYAN	(JS-10)	Utility Perceptions of DSM-Related Risk
Stutz	LEAF/RYAN	(JS-11)	Electric Utilities with DSM Bonus Mechanisms
Wells	PASCO	(HGW-1)	Financial Ratios
Wells	PASCO	(HGW-2)	Avg. Cost Comparison
Pruitt	Staff	(NP-1)	TECO logged complaints
Pruitt	Staff	(NP-2)	Complaint rate by type
Pruitt	Staff	(NP-3)	Complaints by year 87-91
Pruitt	Staff	(NP-4)	Complaint justification by year 87-91
Bouckaert	Staff		Staff Audit Report
Bouckaert Davis Hoyt	Staff		Composite - Selected Audit Workpapers

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Davis	Staff	_____	Supplemental Audit Report

Parties and Staff reserve the right to identify additional exhibits for the purpose of cross-examination.

VIII. OTHER ISSUES

IX. PROPOSED STIPULATIONS

ISSUE 132: Is Tampa Electric Company's request for permanent rate relief based on a projected test period of calendar year 1993 appropriate?

TECO: Yes. This is the period which most appropriately represents the first year the new rates will be in effect. (Lefler, Simokat)

OPC: No position.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: Yes.

ISSUE 133: Should the net overrecoveries or underrecoveries of fuel and conservation expenses be included in the calculation of Working Capital?

TECO: Consistent with Commission decisions in past dockets, overrecoveries should be included in working capital. Underrecoveries have been excluded from working capital by the Commission. (Simokat)

OPC: Yes.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: All parties taking a position on this issue agree as to the resolution. Accordingly, it is presented to the panel as a stipulation.

ISSUE 134: What are the appropriate depreciation rates to be used for this proceeding?

TECO: The appropriate depreciation rates are the rates approved in Order No. 25619, issued 1/21/92, as reflected in the company's filing. The company does not believe that any change in the depreciation rates is warranted at this time. However, if the Commission does change the interim rates approved for Big Bend and Gannon Stations, the effect should be reflected in test year expenses and rate base. (Lefler, Simokat)

OPC: No position.

FIPUG: No position.

LEAF: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: For all of TECO plant in service, except the Big Bend 4 and Gannon Stations, the appropriate depreciation rates are those set forth in Order No. 25619. For the Big Bend 4 and Gannon Stations, the appropriate depreciation rates are those which will be approved by the Commission in Docket No. 920618-EI. (J. Bass)

ISSUE 135: Is Tampa Electric's requested level of Bad Debt Expense in the amount of \$2,041,000 (\$2,041,000 system) for the 1993 projected test year and \$2,174,000 (\$2,174,000 system) for the 1994 subsequent test year appropriate?

TECO: Yes. These are the appropriate amounts. (Lefler)

OPC: No position.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: Yes.

ISSUE 136: Should Tampa Electric be required to file, within 60 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?

TECO: Tampa Electric does not object to filing such a report. However, the Commission should require only the filing of such information as is reasonably necessary and will provide some useful purpose. The Commission presently requires the company to submit surveillance reports which reflect the regulatory adjustments as decided in the company's last rate case. The Commission also regularly audits the company's books and records. An order to file descriptions of entries or adjustments, rate of return reports and books and records which will be required as a result of the Commission's findings in this case would seem to be redundant. (Lefler, Simokat)

OPC: Yes.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: Yes.

ISSUE 137: How should any increase in revenue for 1993 and 1994 be allocated among rate classes?

TECO: The criteria used include: 1) cost to serve the various classes; 2) rate history; 3) public acceptance of rate structure; 4) Customer understanding and ease of application; 5) consumption and load characteristics of the classes; and 6) revenue stability and continuity. (Smith)

OPC: No position.

FIPUG: Using an appropriate cost of service methodology. (Falkenberg)

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: The criteria used to allocate an increase in revenue for 1993 and 1994 should include 1) cost to serve the various classes; 2) rate history; 3) public acceptance or ate structure; 4) customer understanding and ease of application; 5) consumption and load characteristics of the classes; and 6) revenue stability and continuity.

ISSUE 138: Is the method used by the utility for calculating the increase in unbilled revenues by rate class appropriate?

TECO: Yes. (Lefler)

OPC: No position.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: Yes.

ISSUE 139: Should sports fields taking service under the Sports Field Provision on the GS rate schedule pay an energy charge which is 120 percent of the GS energy charge?

TECO: Yes. (Smith)

OPC: No position.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: Yes.

ISSUE 140: Should the Sports Field provision in Rate Schedule GS be eliminated if the low load factor provision is approved?

TECO: Yes. (Smith)

OPC: No position.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: Yes.

ISSUE 141: Should the provisions on the General Service Nondemand (GS/GST) and General Service Demand (GSD/GSDT) rate schedules that provides for 90 days notice before transferring a customer whose demand has exceeded the maximum for the rate schedule to the GSD/GSDT or GSLD/GSLDT rate schedules be eliminated?

TECO: Yes. If the GSD option is approved, the 90 day notice provision would no longer be necessary. (Smith)

OPC: No position.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: Yes.

ISSUE 142: Should the company's proposed revision of the definitions of some of the standby service billing determinants be approved?

TECO: Yes. With the data available from the metering currently installed, the company is better able to define the customers' billing determinants using the revised definitions. (Smith)

OPC: No position.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: Yes.

ISSUE 143: Is it appropriate to eliminate the Street Lighting Service (SL-1) and Outdoor Lighting Service (OL-2) rate schedules?

TECO: Yes. Since there will no longer be any SL-1 and OL-2 service in Tampa Electric's service area after 1992, it is appropriate to eliminate these rate schedules. (Smith)

OPC: No position.

FIPUG: No position.

LEAF/RYAN: No position.

CITY: No position.

DAF: No position.

PASCO: No position.

STAFF: Yes.

X. PENDING MOTIONS

None.

XI. RULINGS

None at this time.

XII. OTHER MATTERS

Post Hearing Filings

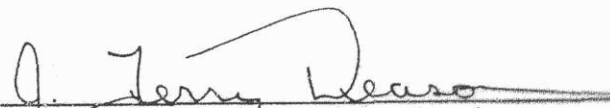
Parties may file Briefs not to exceed 50 pages in length, including proposed findings of fact.

Parties are required pursuant to Rule 25-22.056(3) (a) to file a post hearing Statement of Issues and Positions in accord with the Order Establishing Procedure. All statements of positions are limited to 50 words per issue except, with respect to Issue Numbers 128, 129, 130 and 131, positions are limited to 200 words.

It is therefore,

ORDERED by Commissioner J. Terry Deason, as Prehearing Officer, that this Prehearing Order shall govern the conduct of these proceedings as set forth above unless modified by the Commission.

By ORDER of Commissioner J. Terry Deason, as Prehearing Officer, this 9th day of October, 1992.


J. TERRY DEASON, Commissioner
and Prehearing Officer

(S E A L)

RVE/DLC:bmi

ORDER NO. PSC-92-1163-PHO-EI
DOCKET NO. 920324-EI
PAGE 116

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: 1) reconsideration within 10 days pursuant to Rule 25-22.038(2), Florida Administrative Code, if issued by a Prehearing Officer; 2) reconsideration within 15 days pursuant to Rule 25-22.060, Florida Administrative Code, if issued by the Commission; or 3) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Director, Division of Records and Reporting, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.