

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Investigation into ) DOCKET NO. 930987-EI  
Currently Authorized Return on ) ORDER NO. PSC-93-1570-FOF-EI  
Equity of Tampa Electric Company ) ISSUED: October 27, 1993  
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The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman  
SUSAN F. CLARK  
JULIA L. JOHNSON  
LUIS J. LAUREDO

NOTICE OF PROPOSED AGENCY ACTION

ORDER REDUCING THE CURRENTLY AUTHORIZED  
RETURN ON EQUITY OF TAMPA ELECTRIC COMPANY

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission (Commission) that the action discussed herein is preliminary in nature and will become final unless a person whose interests are adversely affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

On September 27, 1993, Tampa Electric Company (TECO), and The Office of Public Counsel (OPC), met with our staff to discuss a reduction in TECO's currently authorized return on equity (ROE) and earnings. Since February of 1993, when we approved TECO's currently authorized ROE of 12%, economic circumstances have changed, and capital costs have declined significantly. At the time of our decision in TECO's rate case, the average yield on 30 year bonds was 7.43%. For August, 1993, the average yield was 6.31%, and as of October 4, 1993, the 30 year bond rate was 5.99%. Our staff's internal cost of equity models indicate that the cost of equity has dropped over 100 basis points since the hearing in TECO's case. These are clear indications that the cost of equity for TECO has declined significantly since Order No. PSC-93-0165-FOF-EI established TECO's current cost of equity.

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On October 7, 1993, TECO filed a formal proposal to reduce its authorized ROE to 11.35%, and to begin accruing \$4,000,000 annually to a storm damage reserve, both effective January 1, 1994. We believe that TECO's proposal is reasonable, and our approval of it may save litigation costs. The \$4,000,000 accrual for the storm damage fund is reasonable, because TECO does not currently have a storm damage reserve, and the company's transmission and distribution coverage has changed from a deductible of \$3,500,000 to a deductible of \$11,000,000. We believe that the level of the accrual should be reviewed at the end of two years, or at the time base rates are changed, whichever comes first. TECO may defer unrecovered storm damage losses that exceed the amount of the reserve until the Commission acts on any petition expediently filed by the company. It is therefore,

ORDERED that Tampa Electric Company's proposal is approved. TECO's authorized return on equity shall be reduced to 11.35%, plus or minus 100 basis points, for all regulatory purposes, effective January 1, 1994. It is further,

ORDERED that Tampa Electric Company shall accrue \$4,000,000 annually to a storm damage reserve, beginning January 1, 1994. It is further,

ORDERED that this Order shall become final and this docket shall be closed unless an appropriate petition for formal proceeding is received by the Division of Records and Reporting, 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on the date indicated in the Notice of Further Proceedings or Judicial Review.

By ORDER of the Florida Public Service Commission this 27th day of October, 1993.

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STEVE TRIBBLE, Director  
Division of Records and Reporting

( S E A L )  
MCB:bmi

by: Kay Flynn  
\_\_\_\_\_  
Chief, Bureau of Records

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.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on November 17, 1993.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this order becomes final and effective on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.