

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Investigation into) DOCKET NO. 950379-EI
earnings for 1995 and 1996 of) ORDER NO. PSC-95-0580-FOF-EI
Tampa Electric Company.) ISSUED: May 10, 1995
_____)

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK, Chairman
J. TERRY DEASON
JOE GARCIA
JULIA L. JOHNSON
DIANE K. KIESLING

NOTICE OF PROPOSED AGENCY ACTION
ORDER ESTABLISHING RETURN ON EQUITY AND
DEFERRING REVENUES FOR TAMPA ELECTRIC COMPANY

BY THE COMMISSION:

On March 1, 1995, Tampa Electric Company (TECO) submitted its 1995 Forecasted Earnings Surveillance Report in compliance with Rule 25-6.1353, Florida Administrative Code. Per the report, TECO forecasted an achieved return on equity (ROE) of 14.28% for 1995. This exceeds the top of TECO's currently authorized ROE range (10.35% to 12.35%, with an 11.35% midpoint) and if achieved would result in approximately \$25.8 million of excess revenues for 1995. Data for 1996 indicated a projected ROE of 13.81%, representing excess revenues of approximately \$21.9 million. For 1994, TECO reported an actual achieved ROE of 11.26%, which included a one-time restructuring charge of \$21.3 million. If the restructuring charge is excluded, TECO's 1994 achieved ROE would be 12.87%.

Due to the high level of TECO's forecasted earnings, a meeting was scheduled on March 22, 1995, to explore the possible disposition of excess earnings. TECO, the Office of the Public Counsel, The Florida Industrial Power Users Group (FIPUG) and Staff participated in the meeting. At this and subsequent meetings, various proposals were proffered concerning the disposition of the excess revenues.

The final proposal proffered by TECO contains nine separate provisions (See Attachment). Among other things, TECO proposes to: (1) establish a new return on equity of 11.75% with a range of 10.75% to 12.75%, effective January 1, 1995; (2) irrevocably defer a revenue amount of \$15 million for 1995; (3) defer 50% of any

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revenues in excess of an 11.75% ROE up to a net 12.75% ROE and to defer all revenues in excess of a net 12.75% ROE; (4) defer any deferred revenues until 1997 and accrue interest at the commercial paper rate; and (5) end the oil backout clause, effective January 1, 1996. We have considered TECO's entire proposal and find it reasonable. The following provisions are significant in our approval of the proposal:

Return on Equity - A return on equity (ROE) of 11.75% is within the range of reasonableness for TECO. We approve 11.75%, with a range of 10.75% to 12.75%, as the Company's authorized ROE for any and all regulatory purposes effective January 1, 1995.

Initial Revenue Deferral - TECO will record a revenue deferral of \$15 million. This means that TECO will reduce its operating revenues and establish a liability in the amount of \$15 million FOR 1995. This revenue deferral is irrevocable and will be treated as "excess" earnings regardless of the actual level of TECO's earnings for 1995.

Additional Revenue Deferral - After giving consideration to the \$15 million deferred revenue reduction, TECO will defer 50% of any actual revenues in excess of an 11.75% ROE up to a net earned ROE of 12.75%. Any actual revenues in excess of the net 12.75% ROE will also be deferred without limitation. In essence, TECO has an earnings cap of 12.75% for 1995.

Treatment of Deferred Revenues - For regulatory purposes such as determining earnings and calculating interest, any revenue deferred until 1997 will be treated as if it was earned evenly throughout 1995, or one-twelfth per month.

Oil Backout Clause - Any oil-backout project costs incurred beginning January 1, 1996, will no longer be recovered through the oil-backout cost recovery clause. For earnings surveillance purposes, the oil-backout investment and expenses should be included as a part of regular operations in the rate base and the income statement.

Projected oil-backout costs for the period October 1, 1995 through December 31, 1995 will be recovered during that period. Any remaining true-up dollars related to oil-backout costs for 1995 will be recovered as a line item adjustment to fuel costs through the fuel and purchased power cost recovery clause during the period April 1, 1996 through September 30, 1996.

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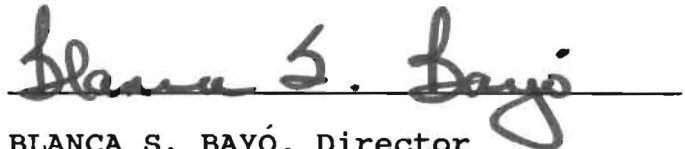
Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that the proposal submitted by Tampa Electric Company to establish a new return on equity, and defer revenues, attached hereto, and made a part hereof, is hereby approved. It is further

ORDERED that this docket shall remain open until after Tampa Electric Company's historical earnings data has been received, and final action has been taken by this Commission to determine the amount of excess earnings for 1995. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective unless an appropriate petition, in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

By ORDER of the Florida Public Service Commission, this 10th day of May, 1995.

A handwritten signature in cursive script, reading "Blanca S. Bayó", is written over a horizontal line.

BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

MAP

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, 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on May 31, 1995.

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 substantially 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.

The following is Tampa Electric Company's proposal:

1. Tampa Electric Company's ("Tampa Electric") return on equity ("ROE") will be established at a midpoint of 11.75% with a range of 10.75% to 12.75% for all regulatory purposes effective January 1, 1995.
2. For 1995, Tampa Electric will defer a revenue amount of \$15.0 million. After the recording of the initial revenue deferral for calendar year 1995, no further revenue deferral will be required for 1995 unless Tampa Electric has earnings above 11.75% as discussed in item 3 below.
3. 50% of any actual revenues contributing to earnings in excess of 11.75% ROE will be deferred up to a net earned ROE of 12.75% on an FPSC adjusted basis per December earnings surveillance reports for calendar year 1995. The company also agrees that any actual revenues in excess of the net 12.75% ROE will be deferred.
4. The 1995 revenues will be deferred until 1997 and will accrue interest at the thirty day commercial paper rate as specified in Rule 25-6.109, Florida Administrative Code.
5. The calculations of the actual ROE for 1995 will be on an "FPSC Adjusted Basis" using the appropriate adjustments approved in Tampa Electric's last full price change proceeding. All reasonable and prudent expenses and investment will be allowed in the calculation and no annualized or proforma adjustments will be made.
6. The company's intent for the timing of the return of deferred revenues to customers is that the return will initiate coincident with the effective date of new rates resulting from a full rate case filing that Tampa Electric expects to file by May 1, 1996. In the event that no rate case is required or filed, Tampa Electric agrees to petition the Commission by December 1, 1996 to determine the specific method for return of the deferred revenues and interest to Customers.
7. The calendar year 1995 surveillance report on which the deferred revenues cap will be based, is subject to audit and true-up by the FPSC Staff.
8. Tampa Electric agrees that the oil backout clause will be collapsed effective January 1, 1996.
9. The Commission will retain jurisdiction over all deferred revenues.