

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Prudence review to) DOCKET NO. 960409-EI
determine the regulatory) ORDER NO. PSC-96-1300-S-EI
treatment Tampa Electric) ISSUED: OCTOBER 24, 1996
Company's Polk Unit.)
_____)

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

ORDER APPROVING STIPULATION

BY THE COMMISSION:

By Order No. PSC-92-0002-FOF-EI, issued March 2, 1992, in Docket No. 910883-EI, the Commission approved Tampa Electric Company's Petition for Determination of Need for a proposed 220 megawatt electric generating unit and associated facilities, to be located in Polk County, Florida.

The facility proposed was an Integrated Gasified Combined Cycle (IGCC) unit, fueled by gasified coal. Approval was conditioned on Tampa Electric Company (TECO) securing a grant from the United States Department of Energy (DOE) in the amount of \$120 million to defray the cost of constructing and operating the plant. Tampa Electric Company did obtain the grant.

Order No. PSC-92-0002-FOF-EI (Need Order) states at page 9 "The unit is projected to have an installed cost of \$389 million dollars (1996), including the DOE funding." Currently, TECO projects the cost of the unit, now scheduled to be placed in service in October, 1996, to be approximately \$506 million net of the DOE grant. TECO states that the difference is attributable to land and site development costs of approximately \$65 million and AFUDC which were not included in the \$389 million amount.

Order No. PSC-96-0670-S-EI issued May 20, 1996, in Docket No. 950379-EI approved a stipulation entered into by TECO, the Office of Public Counsel (OPC) and the Florida Industrial Power Users Group (FIPUG). The stipulation resolved the issues regarding over-

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earnings by TECO and specified the disposition of those over-earnings for the period 1995 through 1998. The stipulation:

- 1) freezes existing base rate levels through December 31, 1998;
- 2) refunds \$25 million plus interest over a one year period commencing on October 1, 1996;
- 3) defers 60% of the net revenues that contribute to a return on equity (ROE) in excess of 11.75% for 1996;
- 4) defers 60% of the net revenues that contribute to a ROE in excess of 11.75% up to a net ROE of 12.75% for 1997;
- 5) defers 60% of the net revenues that contribute to a ROE in excess of 11.75% up to a net ROE of 12.75% for 1998;
- 6) refunds any net revenues contributing to a net ROE in excess of 12.75% for 1998 plus any remaining deferred revenues from 1996 and 1997;
- 7) allows Tampa Electric Company the discretion to reverse and add to its 1997 or 1998 revenues all or any portion of the balance of the previously deferred revenues;
- 8) prohibits TECO from using the various cost recovery clauses to recover capital items that would normally be recovered through base rates; and
- 9) requires separate consideration of the regulatory treatment of the Polk Power Station and Port Manatee site investments.

As a result of this stipulation, Docket No. 960409-EI was opened to review the prudence of and appropriate regulatory treatment for Polk IGCC Unit One (Polk Unit). Pursuant to notice, a public hearing was held on July 17 and 18, 1996.

On September 25, 1996, TECO filed a new stipulation on behalf of itself, OPC, and FIPUG. This stipulation represents an agreement between the parties to: a comprehensive settlement of all issues in this docket; a comprehensive rate settlement covering Tampa Electric's base rates and rate of return for the period January 1, 1999 through December 31, 1999, and a modification to the Stipulation approved in Order PSC-96-0670-S-EI dated May 20, 1996 ("the First Stipulation"). In response to staff's concerns, on September 27, 1996, the parties submitted an amendment to the September 25, 1996, stipulation modifying the wholesale/retail

separation treatment of future sales involving the Polk Unit. These two documents are included as "Attachment 1" to this order.

The September 25, 1996, stipulation:

- 1) extends the existing freeze on TECO's base rates from January 1, 1999, through December 31, 1999;
- 2) precludes TECO from filing a rate increase request prior to July 1, 1999, and precludes TECO from requesting an interim increase in any such docket which is filed prior to January 1, 2000;
- 3) provides for an additional \$25 million refund over fifteen months beginning about October 1, 1997 and credited to customer's bill based on actual KWH usage adjusted for line losses;
- 4) allows TECO to defer into 1999 any portion of its 1998 revenues not subject to refund;
- 5) provides for the refund in the year 2000 of 60% of any revenues which contribute to a ROE in excess of 12% up to a net ROE of 12.75% for calendar year 1999;
- 6) provides for the refund in the year 2000 of 100% of any revenues which contribute to a ROE in excess of 12.75% for calendar year 1999;
- 7) resolves all of the issues in Docket 960409-EI by conferring a finding of prudence on the commencement and continued construction of the Polk Unit by TECO;
- 8) allows TECO to include the actual final capital cost of the Polk Unit in rate base for all regulatory purposes, up to an amount equal to one percent above the capital cost estimate of \$506,165,000 plus related estimated working capital of \$13,029,000;
- 9) allows TECO to include the full operating expense of the Polk Unit in the calculation of net operating income for all regulatory purposes (estimated to be \$20,582,000 net of DOE funding for the first 12 months);
- 10) places the entire investment in the Port Manatee site and any future gain on sale of this site to an independent third party below the line;

- 11) continues to use the separation procedure adopted in the company's last rate case to separate any current and future wholesale sales from the retail jurisdiction; and
- 12) provides that any further Commission action relative to this stipulation will be considered in Docket No. 950379-EI.

The parties have filed an amendment to the stipulation which would allow the Commission to determine the appropriate separation treatment of any off-system sale that is priced based on the Polk Unit's incremental fuel cost. This amendment addresses concerns regarding the potential subsidization of wholesale sales by the retail ratepayers.

Approving the proposed stipulation results in an additional one year extension of the rate freeze established by "the First Stipulation" and a guaranteed additional \$25 million refund starting in October, 1997. The added year to the existing rate freeze and the guaranteed additional refund of over-earnings are important because they mitigate, for a longer period of time, the effect of adding the high capital and O&M cost of the Polk Unit to rate base and net operating income.

Additional rate stability is particularly important during the initial years of operation at the Polk Unit. The IGCC project involves the testing of experimental technology during the first two years of the unit's operation. Pursuant to TECO's agreement with the DOE, the unit must be operated on a variety of coal based feedstocks during the first two years. Based on the record in this case, it appears that TECO determined as early as 1993 that, based on its own forecasts of coal and natural gas prices, the Polk Unit would not be cost-effective over the life of the project using coal as a feedstock to the gasifier. The evidence in the record of this case makes it clear that the long term cost-effectiveness of the Polk Unit is largely dependent on the ability to switch to and rely on low cost petroleum coke as a gasifier feedstock. Therefore, by burning coal during the first two years of the unit's operation, TECO will be experiencing higher fuel costs than it otherwise would burning petroleum coke. The additional rate freeze and refunds will help offset this additional cost as TECO makes the transition to petroleum coke.

TECO is experiencing increasing pressure from large-use customers, such as IMC-AGRICO, which are threatening to find other power supply alternatives. Another advantage of the proposed stipulation is that should TECO respond to these pressures by seeking authority to negotiate discount rates with large-use "at-risk" customers, rates to the remaining ratepayers would not

increase during the period the existing and proposed stipulations are in effect.

The proposed stipulation also recognizes that the Port Manatee site is not currently nor planned to be used and useful and places the current book cost of the site below the line for regulatory purposes.

The proposed stipulation provides that "All reasonable and prudent expenses and investment..." are to be included in the calculation of the actual ROE for 1999. Similar language was also included in "the First Stipulation." The Commission makes the final determination of "reasonable and prudent" in reviewing the basis of the ROE calculations. The Commission's approval of this stipulation is not a blanket authorization for TECO to deem every expense and investment as reasonable and prudent, nor does it give TECO authority to bypass any filing requirements established by the Commission's rules or the Uniform System of Accounts which require the inclusion of those items in the retail jurisdiction.

It should also be noted that "the First Stipulation" remains in effect except as specifically modified by the second stipulation. The modifications include the additional \$25 million refund effective October 1, 1997, and the methodology for calculating the potential refunds of 1998 and 1999 earnings.

We believe that, overall, the stipulation achieves a reasonable balance between stockholder and ratepayer interests and should be approved. Therefore, we find that the September 25, 1996, stipulation, as amended on September 27, 1996, between TECO, OPC, and FIPUG should be, and is hereby, approved.

By Order No. PSC-96-0670-S-EI, issued May 20, 1996, in Docket No. 950379-EI, the Commission approved the stipulation covering the period through 1998. That Order states that Docket 950379-EI is to remain open for the purposes of resolving any issues pertaining to the calculation of earned ROE for the periods covered by the stipulation; implementing the refunds provided for in the stipulation; and determining TECO's earnings for the purposes of revenue deferral and sharing as set forth in that stipulation. Any further Commission action pursuant to the stipulation approved by this order shall also be considered in Docket No. 950379-EI.

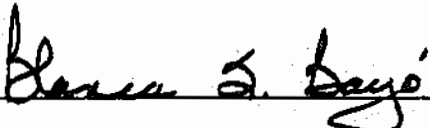
Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the September 25, 1996, stipulation, as amended on September 27, 1996, between TECO, OPC, and FIPUG is hereby approved. It is further

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ORDERED that this docket shall be closed. Any further Commission action regarding the stipulation shall be considered in Docket No. 950379-EI.

By ORDER of the Florida Public Service Commission, this 24th day of October, 1996.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

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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 the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) 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 and/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 after the issuance 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.

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ATTACHMENT 1

Legal

AUSLEY & MCMULLEN

ATTORNEYS AND COUNSELORS AT LAW

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P.O. BOX 391 (ZIP 32302)
TALLAHASSEE, FLORIDA 32301
(904) 224-9115 FAX (904) 222-7860

September 25, 1996

BY HAND DELIVERY

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Prudency Review of Polk Unit One
Docket No. 960409-EI

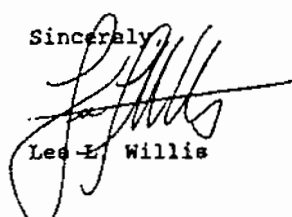
Dear Ms. Bayo:

Enclosed for filing in the above docket is the original and fifteen copies of the Stipulation on behalf of Tampa Electric Company, Florida Industrial Power Users Group and Office of Public Counsel.

Please acknowledge receipt and filing of the above by stamping the duplicate copy of this letter and returning same to this writer.

Thank you for your assistance in connection with this matter.

Sincerely,


Lee E. Willis

LLW/bjm

Enclosure

cc: All Parties of Record (w/encls.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Prudency Review to Determine) DOCKET NO. 960409-EI
Regulatory Treatment of Tampa Electric))
Company's Polk Unit) FILED: September 25, 1996

JOINT MOTION FOR APPROVAL OF STIPULATION

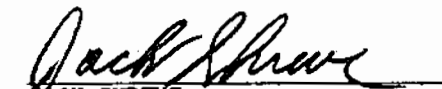
The Office of Public Counsel ("OPC"), Florida Industrial Power Users Group ("FIPUG") and Tampa Electric Company ("Tampa Electric"), (collectively referred to as the "Parties"), jointly move the Commission for entry of an order approving the attached Stipulation which represents the Parties' agreement which represents a settlement of all issues pending in this docket.

Counsel for FIPUG has authorized the undersigned to file this Joint Motion without the need for a signature for FIPUG and to represent to the Commission that FIPUG is in agreement with the Joint Motion.

WHEREFORE, the undersigned parties respectfully urge that the Commission approve the attached Stipulation in all respects.

DATED this 25th day of September, 1996.

Respectfully submitted,


JACK SHREVE
JOHN ROGER HOWE
Office of Public Counsel
c/o The Florida Legislature
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111 West Madison Street
Tallahassee, FL 32399-1400

JOHN W. MCWHIRTER, JR.
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Tampa, FL 33602

OFFICE OF PUBLIC COUNSEL

ATTORNEYS FOR FLORIDA INDUSTRIAL
USERS GROUP

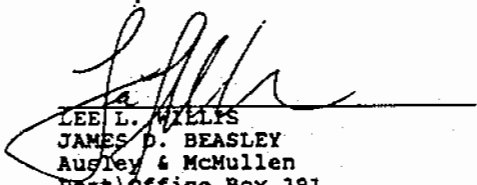
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ATTACHMENT 1



LEE L. WILLIS
JAMES D. BEASLEY
Ausley & McMullen
Post Office Box 391
Tallahassee, FL 32302

ATTORNEYS FOR TAMPA ELECTRIC
COMPANY

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Prudency Review to Determine) DOCKET NO. 960409-EI
Regulatory Treatment of Tampa Electric)
Company's Polk Unit.)
_____)

STIPULATION

The Office of Public Counsel ("OPC"), Florida Industrial Power Users Group ("FIPUG") and Tampa Electric Company ("Tampa Electric" or "the company"), (collectively referred to as the "Parties"), enter into this Stipulation which represents their agreement to: a comprehensive settlement of all the issues in this docket; a comprehensive rate settlement covering Tampa Electric's base rates and rate of return for the period January 1, 1999 through December 31, 1999 and a modification to the Stipulation approved in Order PSC-96-0670-S-EI dated May 20, 1996 ("the First Stipulation"). Accordingly, as described in more detail below, the Parties have agreed as follows:

- 1) Tampa Electric's existing base rates will be frozen at current levels from January 1, 1999 through December 31, 1999;
- 2) Any base rate increase, including any base rate increase associated with the commercial operation of Tampa Electric's Polk Power Unit One plant addition, is avoided at least through December 31, 1999;
- 3) All of Tampa Electric's investment in its Polk Power Station shall be included in Tampa Electric's rate base and the operating and maintenance expenses of the

facility shall be included in calculations of Tampa Electric's net operating income.

- 4) All of Tampa Electric's investment in its Port Manatee Site shall be removed from Tampa Electric's retail rate base with any future use or disposition of the property to be treated below the line.
- 5) Tampa Electric will provide a supplemental temporary base rate reduction totaling \$25 million through credits on customers' bills over a 15-month period commencing October 1, 1997. This temporary base rate reduction will be netted against 1999 refunds which may otherwise have been made under the First Stipulation.
- 6) There will be the possibility of an additional refund in the year 2000 to the extent certain ROE levels are exceeded in 1999.
- 7) All the issues raised in the Prehearing Order issued in this docket shall be deemed resolved upon the Commission's approval of this Stipulation.

This Stipulation, as proposed, reflects the Commission's policy of encouraging parties to negotiate an amicable resolution of potentially contentious issues and reflects the joint recommendation of the Parties negotiated in good faith in accordance with paragraph 12 of the First Stipulation. As is the case with most fair and reasonable settlements, this Stipulation represents a very fine balance of benefits and burdens for all concerned. Therefore, the Parties respectfully request that the

Commission approve and adopt this Stipulation in its entirety, without change or modification, at the earliest possible time.

Rate Freeze

1. The Parties agree that Tampa Electric's existing base rates shall be frozen at current levels during the period January 1, 1999 through December 31, 1999. OPC and FIPUG agree that they will neither seek nor support any reduction in Tampa Electric's base rates to be effective during this same time period unless such reduction is sought by Tampa Electric. The Parties further agree that Tampa Electric will not use the various recovery clauses which shall continue to be available to it in 1999 to recover through such clauses capital items that normally would be recovered through base rates.

Tampa Electric will not seek to make any base rate increase effective on or before December 31, 1999, including any increase to reflect the major plant addition resulting from commercial operation of Tampa Electric's new Polk Power Unit One, will not file before July 1, 1999 a petition and rate schedules initiating a base rate increase proceeding for rates to be effective after December 31, 1999 and will not request an interim increase in any such docket initiated pursuant to a petition filed before January 1, 2000.

Temporary Base Rate Reduction

2. The Parties agree that Tampa Electric shall provide a temporary base rate reduction to customers in the total amount of \$25 million over fifteen months beginning about October 1, 1997. The temporary base rate reduction will be reflected as a credit on customer bills calculated by multiplying a levelized factor adjusted for line losses times the actual KWH usage during the period of the credit. The total of the temporary base rate reduction shall be spread over a 15-month period unless the base rate reduction is suspended as described in paragraph 12 hereof. The effective date of the temporary base rate reduction shall begin concurrently with the fuel adjustment period beginning about October 1, 1997. Any over or under collection associated with the credit will be handled as a true-up component in the normal course of Tampa Electric's fuel cost recovery proceedings. The temporary base rate reduction shall be reflected on the customer's bill as a credit and tariff sheets currently in effect will remain unchanged.

Calculation of Potential Refunds of 1998 and 1999 Earnings

3. Paragraph 8 of the First Stipulation provides for a sharing of earnings above certain levels of earned ROE and the possibility of certain refunds of 1998 earnings in 1999. In light of this Stipulation, paragraph 8 of the First Stipulation shall be modified to provide that the amount, if any, to be refunded shall be calculated as follows.

There will be added to total base rate revenues for 1998 an amount equal to the \$25 million temporary base rate reduction credited to customers from October 1, 1997 through December 31, 1998 pursuant to this Stipulation. Using this adjusted total base revenue amount the parties would then apply the revenue sharing formula specified in paragraph 8 of the First Stipulation. From the resulting share of revenues that would otherwise be available for refund in 1999 absent this Stipulation, the parties would deduct the \$25 million base rate credit provided for in this Stipulation. The amount remaining, if any, would then be subject to refund pursuant to paragraph 8 of the First Stipulation except that the payout rate shall be as set forth in paragraph 4 of this Stipulation.

Tampa Electric shall have the discretion to defer into 1999 any portion of its 1998 revenues not subject to refund. Provided, however, that in calculating Tampa Electric's ROE for purposes of sharing under paragraph 8 of the First Stipulation any revenues deferred from 1998 to 1999 shall be considered to be part of Tampa Electric's revenues for 1998 and shall not be considered as revenues of the Company in 1999 for purposes of the calculations in paragraph 4.

4. Excluding the revenues deferred from 1998 to 1999 as above provided, the actual 1999 Tampa Electric net revenues which contribute to a ROE in excess of 12.00%, up to a net ROE of 12.75% for calendar year 1999, will be split 60%/40%. 40% of the actual net revenues resulting in a ROE in excess of 12.00%, up to a net

ROE of 12.75%, shall be retained as earnings of the Company in 1999. The remaining 60% of the actual net revenues resulting in a ROE in excess of 12.00%, up to a net ROE of 12.75% for calendar year 1999 and all of the actual 1999 revenues resulting in a net ROE in excess of 12.75% shall be refunded to customers in the year 2000.

The total refund paid out in 1999 and 2000, if any, shall be provided to customers at a rate of \$2 million per month until the entire refund is exhausted except for any amount less than \$2 million which shall be treated as a true-up in the next fuel adjustment period unless the refund is suspended as described in paragraph 12 hereof. The refund will be reflected as a credit on customer's bills calculated by multiplying a levelized factor adjusted for line losses times the actual KWH usage for the period of the refund, which shall not exceed one year. The refund shall include interest on the unamortized amount of the refund calculated in accordance with paragraph 6 herein. The refund period shall begin concurrently with the first fuel adjustment period following a final determination of the amount to be refunded. No refunds contemplated under this Stipulation shall be commenced until a final non-appealable order (by the Commission or a court, as the case may be) has been issued with respect to the calculation of earned ROE during 1998 and 1999, respectfully, as set forth in paragraph 12 below. Any over or under collection associated with any refund credit will be handled as a true-up component in the normal course of the fuel cost recovery proceedings.

All Issues in this Docket are Resolved

5. All of the issues identified in this docket shall be resolved by the following agreements of the Parties:

A. The commencement and continued construction of the Polk IGCC unit by Tampa Electric was reasonable and prudent.

B. The actual final capital cost of the Polk Power Station project shall be included in Tampa Electric's rate base for all regulatory purposes up to an amount equal to one percent above the capital cost estimate of \$506,165,000 presented in Docket No. 960409-EI plus related working capital of \$13,029,000 estimated in Docket No. 960409-EI.

C. The full operating expense of the Polk Power Station shall be included in the calculation of Tampa Electric's net operating income for all regulatory purposes, reduced by all of the O&M funding provided by the U. S. Department of Energy or any other agency. For the first twelve months of operation this amount is estimated to be \$20,582,000 net of such funding, as presented in Docket No. 960409-EI.

D. The Polk Unit shall be treated like any other Tampa Electric investment which is supported on a pro rata basis by the company's total capital structure.

E. Effective upon the approval of this Stipulation, Tampa Electric's entire investment in the Port Manatee site (estimated to be \$4,879,076 as of March 31, 1996) will be reclassified as non-utility property and excluded from the retail rate base upon the Commission's approval of this

Stipulation with any future use or disposition of the property being treated below the line. Provided, however, that if all or any portion of the Port Manatee site is subsequently transferred to an affiliate or a third party and subsequently reacquired by Tampa Electric, the value of this property for all regulatory purposes shall be the book value of this property at the time it was removed from Tampa Electric's rate base.

F. The separation procedure to be used to separate capital and O & M which was approved in the Company's last rate case, Docket No. 920324-EI, shall continue to be used to separate any current and future wholesale sales from the retail jurisdiction.

General Provisions

6. The revenues held subject to refund shall accrue interest calculated at the thirty day commercial paper rate as specified in Rule 25-6.109, Florida Administrative Code. For purposes of this calculation, these revenues shall be treated as if collected evenly throughout the year.

7. The calculation of the actual ROE for calendar year 1999 will be on an "FPSC Adjusted Basis" using the appropriate adjustments approved in Tampa Electric's last full revenue requirements proceeding. All reasonable and prudent expenses and investment will be allowed in the computation and no annualization or proforma adjustments shall be made except for the base rate

reduction as discussed in paragraph 3 of this Stipulation. To the extent Tampa Electric is able to acquire any Section 29 tax credits for Polk Unit One, those credits shall be applied to Tampa Electric's base revenue requirements if and when such credits are recognized.

8. The calendar year 1999 surveillance reports on which the potential refunds provided herein will be based are subject to audit by the FPSC staff and true-up.

9. The Parties agree that this Stipulation is intended to and shall settle the disposition of all issues raised in this proceeding.

10. The provisions of this Stipulation also resolve issues related to Tampa Electric's existing base rate levels, allowed return on equity, the procedures for the determination of Tampa Electric's earnings and the disposition of revenues earned above certain levels specified herein through December 31, 1999. In addition, OPC and FIPUG agree to take no issue with the calculation or amounts included in Tampa Electric's final Surveillance Report for 1995 and shall not protest the Commission's final determination of Tampa Electric's earnings for 1995.

11. The Parties agree that this docket shall be closed and that any issues pertaining to: the enforcement of the provisions of this agreement; the calculation of earned ROE for the periods covered by this agreement; the implementation of the temporary base rate reduction provided herein; or the determination of Tampa

Electric's earnings for purposes of revenue deferral or refunds as set forth herein shall be considered in Docket No. 950379-EI.

12. The Parties agree that any dispute relating to this Stipulation shall be addressed by the FPSC in the first instance. Except as provided in paragraph 14 hereof, each Party reserves any rights it may have to seek judicial review of any ruling concerning this Stipulation made by the FPSC. In the event judicial review is sought by any party hereto or any third party, in connection with this Stipulation, the Commission's approval thereof or any action of the Commission or any party hereto under this Stipulation, whether relating to the calculation of earned ROE or otherwise, the company shall not be required to commence or continue any temporary base rate reductions or any refunds required by this Stipulation until the matter is finally resolved.

13. This Stipulation shall be effective upon Commission approval. The Parties agree that if the FPSC does not adopt this Stipulation in its entirety, without modification, this Stipulation shall become null and void and of no effect.

14. The First Stipulation is hereby ratified and continued except as specifically modified herein.

15. The Parties agree to actively support the approval of this Stipulation by the Commission at the earliest possible time. The Parties agree not to protest, seek reconsideration or judicial review of the Commission's approval of this Stipulation or to seek modification of this settlement and Stipulation subsequent to final Commission approval, except by mutual agreement.

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SEP 25 '96 11:58AM MACFARLANE BUSLEY UTILITIES

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16. The Parties acknowledge this Stipulation is being entered into for purposes of settlement only and that the Parties are entering into this Stipulation to avoid the expense and length of further legal proceedings and the uncertainty and risk inherent in any litigation. Neither this Stipulation nor any action to reach, effectuate or further this Stipulation may be construed as, or may be used as an admission by or against any party. Entering or carrying out this Stipulation or any negotiations related thereto shall not in any event be construed as, or deemed to be evidence of, an admission or concession by any of the Parties or a waiver of any applicable claim or defense, otherwise available.

17. The Parties participated jointly in the drafting of this Stipulation and, therefore, the terms of this Stipulation are not intended to be construed against any Party by virtue of draftsmanship.

18. This Stipulation may be executed in several counterparts, each of which shall constitute an original and all of which together constitute one and the same instrument.

IN WITNESS WHEREOF, this Stipulation has been executed on the 25th day of September, 1996 by the undersigned counsel of record for the Parties hereto and/or by the Parties themselves in counter parts each of which shall be deemed an original.

The Office of Public Counsel

Tampa Electric Company

By Jack Shreve
Jack Shreve, Public Counsel

By Gordon L. Gillette
Gordon L. Gillette
Vice President, Regulatory
and Business Strategy

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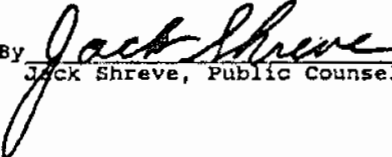
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IN WITNESS WHEREOF, this Stipulation has been executed on the _____ day of September, 1996 by the undersigned counsel of record for the Parties hereto and/or by the Parties themselves in counter parts each of which shall be deemed an original.

The Office of Public Counsel

Tampa Electric Company

By 
Jack Shreve, Public Counsel

By _____
Gordon L. Gillette
Vice President, Regulatory
and Business Strategy

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ATTACHMENT 1

FROM MCWHIRTER & REEVES 813-221-1854

(FED) 09:25'96 09:47/ST. 09:45/NO. 3561745925 P 2

Florida Industrial Power Users Group

By 

John A. McWhirter, Jr.
Joseph A. McGlothlin
Vick: Gordon Kaufman
Attorneys for Florida Industrial
Power Users Group

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing Stipulation has been furnished by U. S. Mail or hand delivery (*) on this 25th day of September, 1996 to the following:

Mr. Robert V. Elias*
Staff Counsel
Division of Legal Services
Florida Public Service
Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Mr. Joseph A. McGlothlin
Ms. Vicki Gordon Kaufman
McWhirter, Reeves, McGlothlin,
Davidson, Rief & Bakas
117 S. Gadsden Street
Tallahassee, FL 32301

Mr. Jack Shreve
Mr. John Roger Howe
Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street - #812
Tallahassee, FL 32399-1400

Mr. John W. McWhirter, Jr.
McWhirter, Reeves, McGlothlin,
Davidson, Rief & Bakas
100 North Tampa Street
Suite 2800
Tampa, FL 33602



ATTORNEY

ORDER NO. PSC-96-1300-S-EI
DOCKET NO. 960409-EI
PAGE 25

ATTACHMENT 1

Leg

AUSLEY & MCMULLEN

ATTORNEYS AND COUNSELORS AT LAW

227 SOUTH CALHOUN STREET
P.O. BOX 381 (ZIP 32302)
TALLAHASSEE, FLORIDA 32301
(904) 224-8115 FAX (904) 227-7560

September 27, 1996

HAND DELIVERY

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Prudency Review to Determine Regulatory
Treatment of Tampa Electric Company's
Polk Unit; FPSC Docket No. 960409-EI

Dear Ms. Bayo:

Enclosed for filing in the above docket on behalf of the Office of Public Counsel, Florida Industrial Power Users Group and Tampa Electric Company are the original and fifteen (15) copies of a Stipulation amending the Stipulation that was filed on September 25, 1996 in this docket.

Please acknowledge receipt and filing of the above by stamping the duplicate copy of this letter and returning same to this writer.

Thank you for your assistance in connection with this matter.

Sincerely,


James D. Beasley

JDB/pp
Enclosures

cc: All Parties of Record (w/encls.)

DOCUMENT NUMBER-DATE

10431 SEP 27 96

FPSC-RECORDS/REPORTING

SEP 27 '96 2:24PM AUBLEY & MULLEN UTILITIES

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Prudency Review to Determine
Regulatory Treatment of Tampa Electric
Company's Polk Unit.

DOCKET NO. 960409-EI
FILED: 9/27/96

STIPULATION

The Office of Public Counsel ("OPC"), Florida Industrial Power Users Group ("FIPUG") and Tampa Electric Company ("Tampa Electric" or "the company"), (collectively referred to as the "Parties"), enter into this amendment to the Stipulation which was filed on September 25, 1996 (the "Second Stipulation") in the above-styled docket. The parties have agreed as follows:

1. Paragraph 5F of the Second Stipulation is hereby amended to add the following sentence: The Parties agree that if Tampa Electric makes an off-system sale priced based on the unit incremental fuel cost of the Polk IGCC Unit, the Commission shall not be precluded from determining the appropriate separation treatment of the Polk IGCC Unit for that specific sale.

2. The Second Stipulation is hereby ratified except as specifically modified herein.

IN WITNESS WHEREOF, this Amendment to the Second Stipulation has been executed on the 27th day of September, 1996 by the undersigned counsel of record for the Parties hereto and/or by the Parties themselves in counter parts each of which shall be deemed an original.

ORDER NO. PSC-96-1300-S-EI
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ATTACHMENT 1

SEP 27 '96 03:25PM RUSLEY & MULLEN UTILITIES

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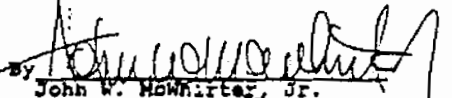
The Office of Public Counsel

Tampa Electric Company

By 
Jack Shreve, Public Counsel

By _____
Gordon L. Gillette
Vice President, Regulatory
and Business Strategy

Florida Industrial Power Users Group

By 
John W. McWhirter, Jr.
Joseph A. McGlothlin
Vicki Gordon Kaufman
Attorneys for Florida Industrial
Power Users Group

ORDER NO. PSC-96-1300-S-EI
DOCKET NO. 960409-EI
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ATTACHMENT 1

1-15-1996 10:50PM FROM

P 2

SEP 27 '96 01:22PM AUGLEY & MULLIN UTILITIES

P.3/4

The Office of Public Counsel

Tampa Electric Company

By _____
Jack Sareve, Public Counsel

By *Gordon L. Gillette*
Gordon L. Gillette
Vice President, Regulatory
and Business Strategy

Florida Industrial Power Users Group

By _____
John W. McWhorter, Jr.
Joseph A. McGlothlin
Vicki Gordon Kaufman
Attorneys for Florida Industrial
Power Users Group

SEP 27 '96 01:25PM RUSLEY & MULLIN UTILITIES

P.4/4

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Staff Counsel
Division of Legal Services
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Commission
2540 Shumard Oak Boulevard
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ATTORNEY