

AUSLEY & MCMULLEN

ATTORNEYS AND COUNSELORS AT LAW

227 SOUTH CALHOUN STREET
P.O. BOX 391 (ZIP 32302)
TALLAHASSEE, FLORIDA 32301
(850) 224-9115 FAX (850) 222-7560

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January 14, 1999

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Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
101 East Gaines Street
Tallahassee, FL 32399-0850

Re: Investigation into Earnings for 1995 and 1996 of Tampa Electric Company; FPSC
Docket No. 950379-EI

Dear Ms. Bayo:

Enclosed for filing in the above docket, on behalf of Tampa Electric Company, are the original and fifteen (15) copies of each of the following:


1. Tampa Electric Company's Post-hearing Statement of Issues and Positions.
2. Tampa Electric Company's Post-Hearing Brief.

Also enclosed is a diskette containing the above referenced documents originally typed in Microsoft Word 97 format which has been saved in Rich Text format for use with WordPerfect.

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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,

Kenneth R. Hart

KRH/st
Enclosures
cc: All Parties of Record (w/enc.)

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FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation into Earnings)
for 1995 and 1996 of Tampa)
Electric Company)
_____)

DOCKET NO. 950379-EI
ORDER NO. PSC-98-1619-PHO-EI
FILED: January 14, 1999

**TAMPA ELECTRIC COMPANY'S
POST-HEARING STATEMENT OF ISSUES AND POSITIONS**

Tampa Electric Company ("Tampa electric" or "the company"), pursuant to the Prehearing Order issued in this docket on August 28, 1998, submits the following as its Post-hearing Statement of Issues and Positions:

Basic Position

The Commission's Proposed Agency Action in Order No. PSC-98-0802-FOF-EI is appropriate and should be implemented. In 1995 and 1996, the Commission approved the regulatory accounting and treatment in which Tampa Electric deferred revenues in excess of its allowed rate of return on equity in 1995 and 1996. These deferred revenues were to be included as part of Tampa Electric's earnings in 1997 and 1998 to offset Polk revenue requirements and other expenses of the Company. As part of this regulatory treatment, the Company returned \$50 million to Customers over the October 1996 to December 1998 time frame. This equates to over half of the revenues deferred from 1995 and 1996. The Company also agreed to freeze base rates through 1999, absorb \$12 million of new annual base rate revenue requirements previously recovered through the oil backout clause, share equity returns on a 60/40 basis with customers even within its allowed return on equity, and potentially refund additional earnings to customers in 1999 and 2000.

The previous stipulations and orders of the Commission in these proceedings require the Company to accrue interest at the 30-day commercial paper rate specified in Rule 25-6.109, F.A.C.

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Under the Commission's orders and the appropriate accounting treatment, this interest is accrued and included in the deferred revenue balance. Because such deferred revenues have a cost ordered by the Commission, the same cost rate is applied to the deferred revenue balance in the capital structure.

The deferred revenues are being used by the Company during the stipulation period and to the extent the funds are available to the Company they offset other sources of funds. To properly reflect this source of capital, the Commission, in accordance with previous orders referenced in this docket as well as others, ordered the Company to treat deferred revenues in the capital structure as a separate item, and apply a cost rate at the 30-day commercial paper rate as specified in Rule 25-6.109, F.A.C. In making this decision, the Commission stated that it was inappropriate to apply one cost for calculating interest for refund purposes and another cost for capital structure purposes.

Using a zero cost rate for deferred revenues in the capital structure would be contrary to financial and regulatory theory and against Commission precedent. It would have the effect of treating the interest expense being accrued by the Company as though it is not a legitimate cost for providing service and, would leave the cost to be absorbed by the utility shareholders "below the line." Under this treatment, the Company would not be afforded an opportunity to achieve the return on equity disclosed in its surveillance reports because the interest expense being incurred would effectively be disallowed.

Since the Company is obligated to accrue this interest pursuant to Commission order, it is clear that it should be included in the determination of regulatory earnings. It should not be treated in a manner that, in effect, represents a disallowance of an expense ordered by the Commission. The Commission should continue the methodology it approved in the 1995 earnings review. This methodology achieves an appropriate balance between stockholder and ratepayer interests.

Issues and Positions

Issue 1: **What is the appropriate cost rate to apply to deferred revenues in the capital structure?**

TECO: As previously ordered by the Commission and as provided in Rule 25-6.109, F.A.C., the 30-day commercial paper rate should be used. Accrued interest should not be reflected in the capital structure at a zero cost rate. The latter would have the effect of disallowing a prudent cost related to a source of funds used to provide utility service. However, if a zero cost rate is deemed appropriate, it would be also appropriate to remove the interest accrued in the deferred revenue balance in the capital structure.

Issue 2: **What is the effect of assigning a zero cost rate to deferred revenues of 1996?**

TECO: The effect is to increase deferred revenues by \$2,502,000. Such an adjustment would result in disallowing an expense ordered by the Commission, requiring the Company's shareholders to pay the accrued interest and depriving the Company of an opportunity to earn its authorized rate of return.

Issue 3: **What is the appropriate method to calculate the separation of the FMPA and City of Lakeland wholesale contracts from the retail jurisdiction for 1996?**

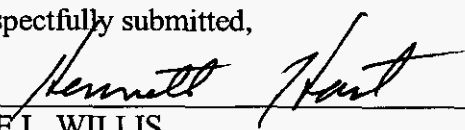
TECO: The treatment employed by the Company in 1996, as modified by Ms. Bacon's testimony, is appropriate. The Company's separation methodology accurately removes from the retail jurisdiction the costs associated with the Company's resources used to serve the FMPA and Lakeland contracts in 1996. The parties have stipulated to the result of using this methodology.

Issue 4: **Has TECO properly calculated the amount of deferred revenues for 1996?**

TECO: Yes. The Commission and the Staff have calculated property the amount of deferred revenues for 1996 in relation to the treatment of interest on deferred revenues. The Company agrees with the staff's calculations.

DATED this 14th day of January, 1999.

Respectfully submitted,



LEE L. WILLIS
KENNETH R. HART
Ausley & McMullen
Tallahassee, Florida 32302
(850) 224-9115

and

JULIE A. WATERS
Tampa Electric Company
Post Office Box 111
Tampa, Florida 33601

ATTORNEYS FOR TAMPA ELECTRIC COMPANY

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of Tampa Electric Company's Post-Hearing Statement of Issues and Positions has been furnished by U. S. Mail or hand delivery (*) on this 14th day of January, 1999 to the following:

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

Mr. John Roger Howe
Deputy Public Counsel
Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street - #812
Tallahassee, FL 32399-1400
3350
Tampa, FL 33601-3350

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

John McWhirter, Esquire
McWhirter, Reeves, McGlothlin,
Davidson, Rief & Bakas
P.O. Box 3350
Tampa, FL 33601-3350



ATTORNEY