

State of Florida



## Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

**-M-E-M-O-R-A-N-D-U-M-**

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**DATE:** April 22, 2021

**TO:** Office of Commission Clerk (Teitzman)

**FROM:** Division of Economics (Coston, Smith II) *JGH*  
Office of the General Counsel (Murphy, Passidomo) *TLT*

**RE:** Docket No. 20210034-EI – Petition for rate increase by Tampa Electric Company.

**AGENDA:** 05/04/21 – Regular Agenda –Tariff Suspension –Participation is at the discretion of the Commission

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Graham

**CRITICAL DATES:** 06/08/21 (60-Day Suspension Date)

**SPECIAL INSTRUCTIONS:** None

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### Case Background

On April 9, 2021, Tampa Electric Company (TECO or Company) filed its petition for a permanent rate increase. TECO provides electric service to approximately 800,000 retail customers in Hillsborough and portions of Polk, Pasco, and Pinellas counties.

TECO has requested an increase in its retail rates and charges to generate \$295 million in additional gross annual revenues, effective January 1, 2022. The Company also has requested an increase in its retail rates and charges to generate \$102 million in additional gross annual revenues, effective January 1, 2023 and \$26 million in additional gross annual revenues, effective January 1, 2024. TECO requests that it also be allowed an overall rate of return of 6.67 percent, which equals the Company's total cost of capital, including a return on common equity of 10.75 percent. In addition, TECO requests to continue implementing the Asset Optimization

Program contained in the 2017 amended and restated stipulation and settlement agreement (2017 Agreement.)<sup>1</sup>

The Company based its requests on a projected test period of January 1, 2022 through December 31, 2022. In total, the Company is requesting a \$423 million base rate increase. TECO did not request interim rate relief.

TECO's last base rate hearing was in 2013, resolved by settlement (2013 Agreement), which allowed a total base rate increase of \$70 million, including \$57.5 million in 2013, \$7.5 million in 2014, \$5.0 million in 2015, plus an additional \$110 million generation base rate adjustment (GBRA) associated with the Polk 2-5 conversion, effective 2017.<sup>2</sup> The 2013 Agreement was followed by the 2017 Agreement, which allowed a cumulative revenue increase of \$122 million over the four-year period of 2018 to 2021.<sup>3</sup> The 2017 revenue increase was associated with a solar base rate adjustment mechanism (SoBRA) which included four tranches over the term of the 2017 Agreement.

On February 16, 2021, the Commission acknowledged the Office of Public Counsel's Notice of Intervention in this proceeding.<sup>4</sup> On March 5, 2021, the Florida Industrial Power Users Group (FIPUG) filed its Motion to Intervene in this docket. This recommendation addresses the suspension of the requested permanent rate increase and all associated tariff revisions. The Commission has jurisdiction over this matter pursuant to Sections 366.06, F.S.

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<sup>1</sup> Order No. PSC-2017-0456-S-EI, issued November 27, 2017, in Docket No. 20170210-EI, *In re: Petition for limited proceeding to approve 2017 amended and restated stipulation and settlement agreement, by Tampa Electric Company.*

<sup>2</sup> Order No. PSC-2013-0443-FOF-EI, issued September 30, 2013, in Docket No. 20130040-EI, *In re: Petition for rate increase by Tampa Electric Company.*

<sup>3</sup> Order No. PSC-2017-0456-S-EI, issued November 27, 2017, in Docket No. 20170210-EI, *In re: Petition for limited proceeding to approve 2017 amended and restated stipulation and settlement agreement, by Tampa Electric Company.*

<sup>4</sup> Order No. PSC-2021-0080-PCO-EI, issued February 16, 2021, in Docket No. 20210034-EI, *In re: Petition for increase in rates by Tampa Electric Company.*

## Discussion of Issues

**Issue 1:** Should TECO's request for a \$295 million permanent rate increase for January 1, 2022, a \$102 million permanent rate increase for January 1, 2023, a \$26 million permanent rate increase for January 1, 2024, and all associated tariff revisions be suspended pending a final decision in this docket?

**Recommendation:** Yes. The Commission should suspend Tampa Electric Company's request for a \$295 million permanent rate increase for January 1, 2022, a \$102 million permanent rate increase for January 1, 2023, a \$26 million permanent rate increase for January 1, 2024, and all associated tariff revisions pending a final decision in this docket. (Coston, Smith II)

**Staff Analysis:** TECO filed its Petition, testimony, and minimum filing requirements on April 9, 2021. The Company has requested an increase in its retail rates and charges to generate approximately \$295 million in additional gross annual revenues, effective January 1, 2022. The Company also has requested an increase in its retail rates and charges to generate approximately \$102 million in additional gross annual revenues, effective January 1, 2023, and approximately \$26 million in additional gross annual revenues, effective January 1, 2024. Further, the Company requested to continue implementing the Asset Optimization Program contained in the 2017 Agreement.

Historically, the Commission has suspended requested permanent rate schedules in order to adequately and thoroughly examine the basis for the new rates. Suspension of a requested rate increase is authorized by Section 366.06(3), F.S., which provides:

Pending a final order by the commission in any rate proceeding under this section, the commission may withhold consent to the operation of all or any portion of the new rate schedules, delivering to the utility requesting such increase, within 60 days, a reason or written statement of good cause for withholding its consent.

Staff recommends that the Commission suspend the requested permanent rate schedules to allow staff and any intervenors sufficient time to adequately investigate whether the request for permanent rate relief is appropriate.

**Issue 2:** Should this docket be closed?

**Recommendation:** No, this docket should remain open to process the Company's revenue increase request. (Murphy)

**Staff Analysis:** This docket should remain open pending the Commission's final resolution of the Company's requested permanent base rate increase.