

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-

DATE: September 17, 2008

TO: Office of Commission Clerk (Cole)

FROM: Division of Economic Regulation (Slemkewicz)
Office of the General Counsel (Young, Brown, Hartman)

RE: Docket No. 080317-EI – Petition for rate increase by Tampa Electric Company.

AGENDA: 09/29/08 – Regular Agenda – Decision on Suspension of Rates – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Skop

CRITICAL DATES: 10/10/08 (60-Day Suspension Date)
04/13/09 (8-Month Effective Date)

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\080317.RCM.DOC

Case Background

This proceeding commenced on August 11, 2008, with the filing of a petition for a permanent rate increase by Tampa Electric Company (TECO or Company). TECO requested an increase in its retail rates and charges to generate \$228.2 million in additional gross annual revenues. This increase would allow the Company to earn an overall rate of return of 8.82 percent or a 12.00 percent return on equity (range 11.00 percent to 13.00 percent). The Company based its request on a projected test year ending December 31, 2009. TECO stated that this test year is the appropriate period to be utilized because it best represents expected future operations. TECO did not request any interim rate relief.

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The Commission last granted TECO an \$18.6 million total rate increase by Order No. PSC-93-0165-FOF-EI.¹ In that order, the Commission found the Company's jurisdictional rate base to be \$1.85 billion for the projected test year ended December 31, 1994. The allowed overall rate of return was found to be 8.34 percent for the test year using a 12.00 percent return on equity.

This recommendation addresses the suspension of the requested permanent rate increase. The Commission has jurisdiction pursuant to Sections 366.06(2) and (4), and 366.071, Florida Statutes.

¹ Order No. PSC-93-0165-FOF-EI, issued February 2, 1993, in Docket No. 920324-EI, In re: Application for a rate increase by Tampa Electric Company.

Discussion of Issues

Issue 1: Should Tampa Electric Company's request for a \$228.2 million permanent base rate increase and its associated tariff revisions be suspended pending a final decision in this docket?

Recommendation: Yes. The \$228.2 million permanent base rate increase and its associated tariff revisions requested by Tampa Electric Company should be suspended pending a final decision in this docket. (Slemkewicz)

Staff Analysis: TECO filed its petition, testimony, and minimum filing requirements on August 11, 2008. The Company has requested a total permanent base rate increase of \$228.2 million based on a projected test year ending December 31, 2009.

Historically, especially when a projected test year has been involved, the Commission has suspended the requested permanent rate schedules in order to adequately and thoroughly examine the basis for the new rates. The suspension of the rate increase is authorized by Section 366.06(3), Florida Statutes, 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.

Because TECO's requested permanent rate relief is based on a projected test year, 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.

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Issue 2: Should this docket be closed?

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

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