

ORIGINAL

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November 16, 1998

VIA HAND DELIVERY

Blanca S. Bayo, Director
Florida Public Service Commission
Division of Records and Reporting
Gunter Building
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0870

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Re: Docket No. 950379-EI

Dear Ms. Bayo:

Enclosed for filing and distribution are the original and fifteen copies of the Florida Industrial Power Users Group's Prehearing Statement in the above docket.

Please acknowledge receipt of the above on the extra copy enclosed herein and return it to me. Thank you for your assistance.

Sincerely,

CK
FA *Vicki Gordon Kaufman*
APP _____ Vicki Gordon Kaufman

CAF _____
CMU _____ VGK/pw
CTR _____ Encls.

EAG 2
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WHIRTER, REEVES, MCGLOTHLIN, DAVIDSON, DECKER, KAUFMAN, ARNOLD & STEEN, P.A.

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

Docket No. 950379-EI
Filed: November 16, 1998

THE FLORIDA INDUSTRIAL POWER USERS GROUP'S
PREHEARING STATEMENT

The Florida Industrial Power Users Group (FIPUG), pursuant to the Case Assignment and Scheduling Record (CASR), files its Prehearing Statement.

A. APPEARANCES:

JOHN W. MCWHIRTER, JR., JOSEPH A. MCGLOTHLIN and VICKI GORDON KAUFMAN, McWhirter, Reeves, McGlothlin, Davidson, Decker, Kaufman, Arnold and Steen, P.A., 117 South Gadsden Street, Tallahassee, Florida 32301 and P.O. Box 3350, Tampa, Florida 33601-3350

On Behalf of the Florida Industrial Power Users Group.

B. WITNESSES:

Witness	Subject Matter	Issues
Jeffrey Pollock	Inappropriateness of imputation of interest on deferred revenues	1-5

C. EXHIBITS:

None. However, additional exhibits may be introduced at hearing as necessary during cross-examination.

D. STATEMENT OF BASIC POSITION:

FIPUG's Statement of Basic Position:

It is inappropriate to impute interest expense on deferred revenues in determining TECO's earned return on common equity for regulatory surveillance reporting purposes. These deferred revenues represent overearnings which TECO is holding for customers. They are a source of cost

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free capital which TECO can use for its own internal purposes. If interest is imputed, it will require customers to pay interest on their own money--a result at odds with the intent of the Stipulations.

E. STATEMENT OF ISSUES AND POSITION:

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

FIPUG: *The appropriate cost rate to apply deferred revenues is zero. Deferred revenues are revenues in excess of TECO's cost of service to which TECO has no entitlement. They represent a source of cost free capital. To impute interest on the deferred revenues would result in customers having to pay interest on their own money which TECO is holding for them and would result in less revenues being deferred than the Stipulations require.*

2. ISSUE: If a zero cost rate is determined to be appropriate, should accrued interest be included in the deferred revenue component of the capital structure?

FIPUG: *This is an inappropriate issue since it was not protested by any of the parties.*

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

FIPUG: *TECO has conceded that the cost separation for 1996 should have included the entire month of December and will make the appropriate adjustment to increase the deferred revenue balance. This resolves FIPUG's concern for 1996. However, FIPUG's position on this issue should not be viewed as precedent on this issue in the future and should be without prejudice to any party to take any position on this issue in future proceedings.*

4. What is the effect of assigning a zero cost rate to deferred revenues in the capital structure?

FIPUG: *The effect of assigning a zero cost rate is that the customer parties to the Stipulations receive the benefit of their bargain and are not required to pay interest on their own money.*

5. Has TECO properly calculated the amount of deferred revenues for 1996?

FIPUG: *No. Deferred revenues should be assigned a zero cost and the deferred revenue amount increased accordingly.*

F. STIPULATED ISSUES:

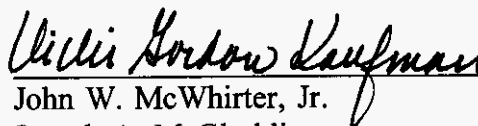
None.

G. PENDING MOTIONS:

FIPUG has no pending motions.

H. OTHER MATTERS:

None at this time.



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Attorneys for Florida Industrial
Power Users Group

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of FIPUG's Prehearing Statement has been furnished by United States mail or hand delivery (*) this **16th** day of **November, 1998**, to the following parties:

Robert V. Elias*
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