

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for limited proceeding rate increase to implement return on equity provisions in 2021 agreement, by Tampa Electric Company.	DOCKET NO. 20220122-EI ORDER NO. PSC-2022-0322-FOF-EI ISSUED: September 12, 2022
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The following Commissioners participated in the disposition of this matter:

ANDREW GILES FAY, Chairman
ART GRAHAM
GARY F. CLARK
MIKE LA ROSA
GABRIELLA PASSIDOMO

FINAL ORDER APPROVING PETITION FOR LIMITED RATE INCREASE
TO IMPLEMENT RETURN ON EQUITY PROVISIONS IN 2021 AGREEMENT
BY TAMPA ELECTRIC COMPANY

APPEARANCES:

J. JEFFRY WAHLEN and MALCOLM N. MEANS, ESQUIRES,
Post Office Box 391, Tallahassee, Florida 32302
On behalf of Tampa Electric Company.

RICHARD GENTRY, CHARLES REHWINKEL, and MARY A. WESSLING,
ESQUIRES, 111 West Madison Street, Room 812, Tallahassee, Florida 32399-
1400
On behalf of Office of Public Counsel.

ROBERT SCHEFFEL WRIGHT and JOHN T. LAVIA, III, ESQUIRES, 1300
Thomaswood Drive, Tallahassee, FL 32308
On behalf of Florida Retail Federation.

JENNIFER CRAWFORD and RYAN SANDY, ESQUIRES,
Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee,
Florida 32399-0850
On behalf of the Florida Public Service Commission.

MARY ANNE HELTON, ESQUIRE, Deputy General Counsel, Florida Public
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Advisor to the Florida Public Service Commission.

KEITH C. HETRICK, ESQUIRE, General Counsel, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850
Florida Public Service Commission General Counsel.

BY THE COMMISSION:

Background

On April 9, 2021, Tampa Electric Company (TECO or Company) filed a Petition for a Rate Increase. By Order No. PSC-2021-0147-PCO-EI, issued on April 22, 2021, Docket No. 20210034-EI, *Petition for rate increase by Tampa Electric Company*, was consolidated with Docket No. 20200264-EI, *Petition for approval of 2020 depreciation and dismantlement study and capital recovery schedules, by Tampa Electric Company*. On August 6, 2021, the Company filed a Motion to Suspend Procedural Schedule and Approve 2021 Stipulation and Settlement Agreement (2021 Settlement) that had been signed by all parties to the consolidated dockets.¹ On October 13, 2021, Tampa Electric filed a Corrected 2021 Settlement.² A hearing was held on October 21, 2021, and a bench decision was made approving the 2021 Settlement. Our decision was memorialized in Order No. PSC-2021-0423-S-EI, issued November 10, 2021.

On July 1, 2022, the Company filed a petition for a limited proceeding to implement the return on equity (ROE) trigger provision in Section 2(b) of the 2021 Settlement, which includes increasing its currently authorized ROE by 25 basis points and increasing base rates to generate additional annual revenue of \$10.0 million.³ This annual revenue increase is limited to the extent that the new mid-point ROE is not exceeded, based on pro forma weather adjusted revenue. Section 2(a) of the 2021 Settlement established TECO's authorized ROE to be within a range of 9.00 percent to 11.00 percent with a mid-point of 9.95 percent to be used for all regulatory purposes. The ROE trigger provision in Section 2(b) is activated when the average interest rate on 30-year United States Treasury Bonds has increased 50 basis points above a specified level over a 6-month period. The 2021 Settlement also provided the Company with incremental rate relief after the ROE trigger has been reached within sixty days following the filing of a petition.

An administrative hearing addressing TECO's petition was held on August 16, 2022. Opening statements were taken by the parties, who stated that they continued to support the provisions of the 2021 Settlement and that TECO's petition in this matter is consistent with those provisions. TECO proffered witnesses Lorraine Cifuentes, Richard Latta, and Jordan Williams to answer questions regarding TECO's petition, and TECO's responses to Commission staff's data requests were entered into the record at the hearing.

We have jurisdiction in this matter pursuant to Section 366.06, Florida Statutes.

¹ TECO, Office of Public Counsel, Florida Industrial Power Users Group, Federal Executive Agencies, Walmart Inc., Florida Retail Federation, and West Central Florida Hospital Utility Alliance.

² By this filing, the Company corrected minor scrivener's errors and resubmitted the original 2021 Settlement Agreement with the corrections.

³ See Attachment A for Section 2 of the 2021 Settlement Agreement.

Decision

Based on the calculation methodology in Subsection 2(b)(v) of TECO's 2021 Settlement, the average 30-year U.S. Treasury Bond yield rate for the 6-month period from December 30, 2021 to June 29, 2022 was 2.636 percent, which is 50 basis points greater than the yield rate of 2.13 percent on October 21, 2021, when we voted to approve the 2021 Settlement.

The ROE trigger was reached on June 29, 2022. Consistent with Subsection 2(b)(vi), the effective date of the revised authorized ROE and range shall be the first day of the month following the day in which the ROE trigger is reached. As a result of TECO's petition and by operation of the 2021 Settlement, the Company's authorized ROE shall be increased by 25 basis points to a mid-point of 10.20 percent and the authorized range adjusted to 9.25 percent to 11.25 percent, effective as of July 1, 2022. Further, the revised authorized ROE midpoint and range shall be used for all regulatory purposes, including but not limited to, cost recovery clauses, recovery mechanism(s), earnings surveillance reporting, calculating the Company's Allowance for Funds Used During Construction rate, and calculating interim rates as allowed in the 2021 Settlement, until changed by us in a future proceeding.

The 2021 Settlement maintains, in Section 2(b)(ii), that if the ROE trigger occurs during the Term of the Settlement, TECO's base rates will be adjusted to reflect a 12-month revenue increase totaling \$10.0 million. As discussed previously, the ROE trigger was reached as of June 29, 2022, allowing the Company to request its authorized ROE be increased by 25 basis points to be within a range of 9.25 percent to 11.25 percent with a mid-point of 10.20 percent. A subsequent section of the 2021 Settlement, Section 2(b)(iii), provides that the \$10.0 million annual base rate increase amount must be reduced to the extent that the revenue increase would cause the Company's adjusted earnings to exceed the midpoint of the new range (10.20 percent).

As discussed in the background, the 2021 Settlement allows for the revenues used in this calculation of adjusted earnings to be weather normalized. To support the \$10.0 million increase, and in keeping with the 2021 Settlement's limitation on the ROE trigger base rate increase, the Company provided its pro forma weather adjusted earnings surveillance report (ESR) for the month of April 2022. TECO calculates its normal weather based on 20-year averages. In this case, 20-year monthly temperature averages were compared to the actual temperatures experienced in TECO's service area for the 12 months ended April 2022. The Company alleges, and we agree, that the actual weather for the twelve months ended April 30, 2022, was warmer than the 20-year average, resulting in higher-than-normal sales.

TECO reduced its operating revenues reported in its April 2022 pro forma weather adjusted ESR by \$37,644,632 to account for higher-than-normal sales due to weather and calculated its adjusted ROE on that basis, as detailed in Exhibit 2 of its Petition. We evaluated both the weather normalization methodology and inputs used to arrive at the stated adjustment. We find that the inputs are correct and the methodology is consistent with the methodology used by the Company in previous filings before us. Additionally, we find that the \$37.6 million revenue adjustment due to weather and the \$10.0 million annual base rate increase amount allowed by the 2021 Settlement will not cause the Company's pro forma weather adjusted earnings in its April 2022 ESR to exceed the new midpoint ROE of 10.20 percent.

Based upon our review of the record in this proceeding, we find that TECO's requested \$10.0 million base revenue increase, proposed base rates, and tariffs filed with the petition shall be approved. Consistent with the 2021 Settlement, the effective date of the revised tariffs shall be September 1, 2022, which is the first billing cycle after the date of our vote on this matter, August 16, 2022.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Tampa Electric Company's petition for limited proceeding rate increase to implement return on equity provisions in 2021 Settlement is granted. It is further

ORDERED that TECO's authorized ROE shall be increased by 25 basis points to a mid-point of 10.20 percent and the authorized range adjusted to 9.25 percent to 11.25 percent, effective as of July 1, 2022. The appropriate annual base revenue increase is \$10.0 million. TECO's proposed base rate and revised tariffs, as filed with the petition, are approved with an effective date of September 1, 2022. It is further

ORDERED that this docket shall be closed.

By ORDER of the Florida Public Service Commission this 12th day of September, 2022.



ADAM J. TEITZMAN
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
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Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), 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 Office of Commission Clerk, 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 Office of Commission Clerk, 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.