

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of Tampa Electric)	DOCKET NO. 890607-EI
Company to issue and sell \$125 million)	
in long-term debt securities during)	ORDER NO. 21298
the 12-months ending May 31, 1992.)	
_____)	ISSUED: 5-31-89

The following Commissioners participated in the disposition of this matter:

MICHAEL McK. WILSON, Chairman
 THOMAS M. BEARD
 BETTY EASLEY
 GERALD L. GUNTER
 JOHN T. HERNDON

ORDER AUTHORIZING SECURITY TRANSACTIONS

BY THE COMMISSION:

On May 1, 1989, Tampa Electric Company (Tampa Electric or the utility) filed a petition seeking Commission approval to issue and sell \$125 million of long-term tax exempt debt securities during the year ending June 30, 1992. On May 9, 1989, Tampa Electric filed an amendment to its application to modify the 12-month period for which authority to issue and sell long-term debt is sought from the the 12-months ending June 30, 1992 to the 12-months ending May 31, 1992.

Tampa Electric represents that this authorization is sought in order to enable the utility to secure significant interest expense savings in connection with two outstanding series of long-term tax exempt debt securities. In 1981 and 1982, the Hillsborough County Industrial Development Authority issued two series of long-term tax exempt debt securities on behalf of Tampa Electric, totaling \$125 million, with a 10 year no-call provision. These series consisted of \$25 million in Pollution Control Revenue Bonds (Tampa Electric Company Project), Series A and \$100 million of Pollution Control Revenue Bonds (Tampa Electric Company Project), Series B. These bonds yield an average interest rate of 12.4%. Tampa Electric's petition asserts that it would be economically desirable to refund these bonds in today's lower interest rate environment, but this is prohibited by the call protection and the federal tax law prohibition against advance refunding of pollution control bonds.

In order to lock in today's tax exempt interest rates, which are near the historical low point over the last 10 years, Tampa Electric proposes to enter into a forward purchase contract with respect to the proposed long-term debt securities. Under the forward purchase contract the investors will be making an irrevocable commitment today to buy the long-term bonds in 1991 and 1992 at preestablished interest rates. Since the investors will be making a current commitment to purchase the long-term securities in the future, and Tampa Electric will be making a contemporaneous commitment to sell those securities in the future, the utility requests approval at this time.

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Tampa Electric's present estimate of the tax exempt interest rate for the long-term bonds, which are the subject of the utility's application, is 7.84% based upon current rates for comparable securities.

Over the remaining life of the currently outstanding bonds and the bonds proposed to be issued in 1991 and 1992, the utility could realize savings of over \$60 million based on the present average interest rate of 12.4% on the presently outstanding bonds, compared to the prospective interest rate of 7.84% on the new bonds, and including call premiums and all costs of issuance. Tampa Electric proposes to spread these savings on a pro rata basis over the life of the combined issues starting immediately upon the execution of the forward purchase contract to issue the refunding bonds. This accounting method would further increase Tampa Electric's refund to customers under its 1989 tax savings stipulation with the Commission (Docket No. 881140-EI).

The utility states that it also intends to have a letter of credit from a double A or a triple A bank to protect against the possibility of investors not providing the funds needed to purchase the bonds in 1991 or 1992. In the event of such occurrence, the letter of credit bank would pay the present value of the savings that would have been generated through the issuance of the lower cost securities. In addition, if market conditions warrant, the utility would also be free to call the outstanding bonds.

The refunding bonds will not exceed \$125 million in amount and will have a maturity schedule similar to the remaining life of the outstanding bonds.

The issuance and/or sale of the long-term debt will be through negotiated underwritten public offering, public offering at competitive bidding, direct public or private sale, sale through agents, or distributions to security holders of the company or affiliated companies.

The net proceeds to be received from the sale of the long-term debt will be used to call the outstanding bonds in 1991 and 1992.

Tampa Electric's application also states that it specifically relates to the issuance and sale of refunding bonds described in the application during the 12-month period ending May 31, 1992, and is not intended to preclude the issuance or sale, or any application by the utility for authority to issue and sell, any other securities during such period, which may hereinafter be approved by this Commission.

Having reviewed the application, it is the finding of this Commission that the issuance and sale of the above-described securities, within the limits described, will not impair Tampa Electric's ability to perform its services as a public utility, are for lawful purposes within Tampa Electric's corporate powers, and that the application should be granted subject to the conditions hereinafter stated. The Commission further finds that spreading the anticipated interest savings on a pro rata basis over the life of the combined issues starting

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immediately upon the execution of the forward purchase contract to issue the refunding bonds is appropriate and in the interests of Tampa Electric and its customers. The proposed transaction appears to be an innovative one with potentially significant benefits to Tampa Electric and its customers.

It is, therefore,

ORDERED by the Florida Public Service Commission that the application of Tampa Electric Company for authority to issue and sell \$125 million in long-term tax exempt debt securities during the 12-months ending May 31, 1992, for purposes described in the body of this Order is hereby approved. It is further

ORDERED that Tampa Electric's proposal to spread the anticipated interest savings on a prorata basis over the life of the combined issues starting immediately upon the execution of the forward purchase contract to issue the refunding bonds is recognized by the Commission to be appropriate. It is further

ORDERED that Tampa Electric Company file a consummation report in compliance with Rule 25-8.009, Florida Administrative Code, within 90 days after the issuance of the securities authorized by this Order. It is further

ORDERED that the foregoing authorization is without prejudice to the authority of this Commission with respect to rates, costs, or any other matter whatsoever now pending or which may come before this Commission, as provided in Section 366.04, Florida Statutes.

By ORDER of the Florida Public Service Commission,
this 31st day of MAY, 1989.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

MRC

by: Kay Flynn
Chief, Bureau of Records

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), 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

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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 Director, Division of Records and Reporting 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 or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting 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.