BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation into earnings for 1995 and 1996 of Tampa Electric Company.	DOCKET NO. 950379-EI ORDER NO. PSC-98-0802-FOF-EI ISSUED: June 9, 1998

The following Commissioners participated in the disposition of this matter:

JULIA L. JOHNSON, Chairman
J. TERRY DEASON
SUSAN F. CLARK
JOE GARCIA
E. LEON JACOBS, JR.

NOTICE OF PROPOSED AGENCY ACTION
ORDER DETERMINING EARNINGS SHARING AMOUNT FOR 1996
FOR TAMPA ELECTRIC COMPANY

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

I. Case Background

On March 1, 1996, Tampa Electric Company ("TECO" or "the Company") submitted its 1996 Forecasted Earnings Surveillance Report in compliance with Rule 25-6.1353, Florida Administrative Code. According to that report, TECO forecasted an achieved return on equity (ROE) of 13.27% which exceeded its then currently authorized ROE ceiling of 12.75%. Due to the high level of TECO's forecasted earnings, meetings were held to explore the possible disposition of the excess earnings. TECO, the Office of Public Counsel (OPC), the Florida Industrial Power Users Group (FIPUG), and Commission Staff participated in the meetings.

On March 25, 1996, TECO, OPC, and FIPUG filed a joint motion for approval of a stipulation that resolved the issues regarding TECO's over-earnings and the disposition of those over-earnings for the period 1995 through 1998. This stipulation was approved by Order No. PSC-96-0670-S-EI, issued May 20, 1996. The stipulation provides for the following:

1) freezes existing base rate levels through December 31, 1998;

2) refunds $25 million plus interest over a one year period commencing on October 1, 1996;

3) defers 60% of the net revenues that contribute to a return on equity (ROE) in excess of 11.75% for 1996;

4) defers 60% of the net revenues that contribute to an ROE in excess of 11.75% up to a net ROE of 12.75% for 1997;

5) defers 60% of the net revenues that contribute to an ROE in excess of 11.75% up to a net ROE of 12.75% for 1998;

6) refunds any net revenues contributing to a net ROE in excess of 12.75% for 1998 plus any remaining deferred revenues from 1996 and 1997;

7) allows TECO the discretion to reverse and add to its 1997 or 1998 revenues all or any portion of the balance of the previously deferred revenues;

8) prohibits TECO from using the various cost recovery clauses to recover capital items that would normally be recovered through base rates; and

9) requires consideration of the regulatory treatment of the Polk Power Station separately.

By Order No. PSC-96-1300-S-EI issued October 24, 1996, in Docket No. 960409-EI, we approved another stipulation entered into by TECO, OPC and FIPUG. This stipulation resolved all issues concerning the prudence of the construction of TECO's Polk Unit 1, agreed to a rate settlement covering TECO's base rates and rate of return for the period January 1, 1999, through December 31, 1999, and modified the stipulation approved in Order PSC-96-0670-S-EI. Specifically, this stipulation provides for the following:

1) extends the existing freeze on TECO's base rates through December 31, 1999;

2) precludes TECO from filing a rate increase request prior to July 1, 1999, and precludes TECO from requesting an interim increase in any such docket which is filed prior to January 1, 2000;

3) provides for an additional $25 million refund over fifteen months beginning about October 1, 1997 and credited to customer's bill based on actual KWH usage adjusted for line losses;

4) allows TECO to defer into 1999 any portion of its 1998 revenues not subject to refund;

5) provides for the refund in the year 2000 of 60% of any revenues which contribute to a ROE in excess of 12% up to a net ROE of 12.75% for calendar year 1999;

6) provides for the refund in the year 2000 of 100% of any revenues which contribute to a ROE in excess of 12.75% for calendar year 1999;

7) resolves all of the issues in Docket 960409-EI by conferring a finding of prudence on the commencement and continued construction of the Polk Unit by TECO;

8) allows TECO to include the actual final capital cost of the Polk Unit in rate base for all regulatory purposes, up to an amount equal to one percent above the capital cost estimate of $506,165,000 plus related estimated working capital of $13,029,000;

9) allows TECO to include the full operating expense of the Polk Unit in the calculation of net operating income for all regulatory purposes (estimated to be $20,582,000 net of DOE funding for the first 12 months);

10) places the entire investment in the Port Manatee site and any future gain on sale of this site to an independent third party below the line;

11) continues to use the separation procedure adopted in the company's last rate case to separate any current and future wholesale sales from the retail jurisdiction; and

12) provides that any further Commission action relative to this stipulation will be considered in Docket No. 950379-EI.

The parties filed an amendment to the stipulation which addresses this Commission's determination of the appropriate separation treatment of any off-system sale that is priced based on the Polk Unit's incremental fuel cost. This amendment addressed concerns regarding the potential subsidization of wholesale sales by the retail ratepayers. We approved the amendment along with the stipulation in Order No. PSC-96-1300-S-EI.

On February 15, 1997, TECO filed its December 1996 Earnings Surveillance Report. After review and audit, we find that several adjustments are appropriate. This Order determines the appropriate amount of excess revenues to be deferred for 1996.

II. Appropriate Rate Base for 1996

Based on the following adjustments, we find that the appropriate rate base is $1,829,487,489 for 1996. The adjustments to each component of rate base and the related effect on net operating income are shown on Attachment A, which is incorporated herein by reference.

Adjustment 1. Orlando Utility Commission's Transmission Line:

This adjustment is being made consistent with our decision in Order No. PSC-97-0436-FOF-EI, issued April 17, 1997, in this docket. TECO owns a 25% share in the Orlando Utility Commission's (OUC) 230 kilovolt (KV) line connecting the Lake Agnes substation to the Cane Island generating station. In that Order, we determined that TECO's entire investment in the transmission line should be removed from the calculation of 1995 earnings and allocated to the wholesale jurisdiction. We determined that the line was purchased "primarily to ensure the ability to make wholesale sales to entities such as the Reedy Creek Improvement District." We stated at page 4 of the Order:

> The utility has failed to demonstrate the benefits to retail ratepayers that would justify the allocation of any portion of the transmission line to the retail jurisdiction. Based on the information available at this time, we find that the entire investment shall be assigned to the wholesale jurisdiction.

The Company was afforded the opportunity to provide additional information showing the benefits of the transmission line to retail ratepayers. No additional information suggesting a different treatment for the investment in the transmission line has been offered. Therefore, we find that Plant and Accumulated Depreciation shall be reduced by $1,512,444 and $373,677, respectively. In addition, Depreciation Expense and Taxes Other Than Income shall be reduced by $242,243 and $47,167, respectively. The 1996 operation & maintenance (O&M) expenses related to the OUC transmission line were not recorded until January 1997; therefore, no adjustment to 1996 O&M expenses is necessary.

Adjustment 2. OUC Acquisition Adjustment:

Consistent with our decision in Order No. PSC-97-0436-FOF-EI, the acquisition adjustment associated with the purchase of the OUC transmission line should be removed. Thus, the net acquisition adjustment of $5,580,605 shall be removed for 1996.

Adjustment 3. Fossil Fuel Dismantlement Accrual:

This adjustment is based on an audit disclosure in TECO's surveillance audit report for the twelve month period ending December 31, 1996. As part of TECO's last depreciation study in Docket No. 950499-EI, we approved an annual accrual for fossil fuel dismantlement in the amount of $8,770,000 in Order No. PSC-96-0399-FOF-EI, issued March 21, 1996. The Order further stated that the annual accrual would increase by $1,348,000 when the Polk Power Plant came on-line.

Polk Unit 1 came on-line September 30, 1996. Accordingly, TECO should have increased its monthly fossil dismantlement accrual by $112,397 at that time. TECO did not increase its monthly accrual until January 1997. Therefore, we find that the fossil dismantlement expense for 1996 shall be increased by $313,341 ($337,192 for the system). The 13-month average reserve should likewise be increased by $48,207 ($51,876 for the system).

Adjustment 4. Florida Municipal Power Agency (FMPA) and City of Lakeland (Lakeland) Wholesale Sales:

In August and October of 1996, TECO entered into two long-term wholesale electricity sales agreements with Lakeland and FMPA, respectively. Service for the Lakeland contract began on November 4, 1996, and service for FMPA began on December 16, 1996. TECO accounted for these sales as though they were retail sales. By

Order No. PSC-97-1273-FOF-EU, issued October 15, 1997, in Docket No. 970171-EU, we ordered TECO to: 1) separate capital and O&M costs associated with these sales at average embedded cost; 2) credit its Fuel Clause with an amount equal to the system incremental fuel cost resulting from the FMPA and Lakeland sales; 3) credit its Environmental Cost Recovery Clause with all incremental SO2 allowance costs incurred; 4) retain all non-fuel revenues in the wholesale jurisdiction; and 5) for monthly surveillance purposes, reduce retail operating revenues by the amount of any shortfall, in the event revenues received in excess of the non-fuel revenues are less than the incremental costs. In order to separate the FMPA and Lakeland sales, the jurisdictional separation factors were decreased thereby including less in jurisdictional rate base and net operating income (NOI). Rate base is decreased, but in this case, NOI is increased because expenses decreased more than revenues, and the lower the expense the higher the NOI. Consistent with Order No. PSC-97-1273-FOF-EU, we find that rate base shall be decreased by $1,826,150 and NOI shall be increased by $104,914.

Adjustment 5. Separation Factors:

As a result of decreasing the separation factors to exclude the FMPA and Lakeland sales from retail sales, the Company's jurisdictional adjustments to rate base and NOI changed. By decreasing the factor, fewer dollars are included in jurisdictional rate base and NOI. The jurisdictional adjustments are calculated by multiplying the separation factor times the system adjustment. Therefore, if the separation factor changes, the adjustment changes. Because the adjustments are less than the "as filed adjustments", rate base increases. NOI decreases because the smaller adjustments cause expenses to increase. Based on the change in separation factors, we find that rate base shall be increased by $31,176 and NOI shall be decreased by $163.

III. Treatment of Deferred Revenue in TECO's Capital Structure

In its year-end 1996 earnings surveillance report, TECO included the amount of revenue deferred subject to the earnings sharing agreement in its capital structure on a pro rata basis across all sources of capital. By Order No. PSC-97-0436-FOF-EI, we found that the deferred revenue should be shown as a separate line item in the capital structure, with a cost rate equal to the thirty day commercial paper rate. After the decision regarding 1995 earnings was made in Order No. PSC-97-0436-FOF-EI, the Company refiled its surveillance report with deferred revenue as a separate line item. However, the Company made a pro rata adjustment over the deferred revenue amount when reconciling the capital structure with rate base. The Company contends this treatment is appropriate because funds are fungible, meaning that the Company can identify how funds were used but cannot identify which source of capital funded which particular asset. For this reason, the Company believes its adjustment to its capital structure over all sources of capital, including deferred revenues, is consistent with the pro rata methodology of reconciling the capital structure to rate base.

Upon consideration, we do not agree with TECO's proposed treatment. Consistent with our decision in Order No. PSC-97-0436-FOF-EI, the 13-month average deferred revenue amount should be included in the capital structure as a separate line item at the thirty day commercial paper rate as specified in Rule 25-6.109, Florida Administrative Code. A pro rata adjustment was not made over the 13-month average balance for 1995, and the pro rata adjustment proposed by TECO should not be made in 1996 either.

OPC and FIPUG agree that the revenue subject to deferral should be shown in the capital structure as a separate line item, but assert that it should be considered a "zero cost" source of capital. To do otherwise, they contend, charges the ratepayers interest on their own money. We disagree with this proposal. But for the availability of the deferred revenue, TECO would have to find another source of funds, which would likely be at a cost rate equal to or greater than the thirty day commercial paper rate.

The best information available suggests that this component of TECO's capital structure does have a cost rate, and that rate is equal to the cost rate of the potential refunds, the thirty day commercial paper rate.

Consistent with the treatment approved for 1995, and in keeping with the spirit and intent of the agreement to equitably administer the plan for both stockholders and ratepayers, we find the full 13-month average balance of deferred revenue shall be included in the capital structure as a separate line item with a cost rate of 5.46%.

IV. Equity Ratio

Pursuant to the stipulations, for 1996, TECO is allowed to defer 60% of net revenue that contributes to an ROE in excess of 11.75%. There is no ROE cap for earnings in 1996. For the years 1997 and 1998, TECO will defer 60% of net revenue that contributes to an ROE in excess of 11.75%, as well as all revenue above a net ROE of 12.75%. For 1999, TECO defers 60% of net revenue that contributes to an ROE in excess of 12.0%, as well as all revenue above a net ROE of 12.75%. Under the terms of the agreement, TECO has the discretion to reverse and add to its 1997, 1998, and 1999 revenue all or any portion of the balance of previously deferred revenue. If any deferred revenue remains after 1999, TECO will refund this amount plus interest accrued at the thirty day commercial paper rate.

Under the terms of the agreement, the sharing bands are established based on ROE. Since the amount of equity capital maintained by a company is integral in the determination of the ROE, a company can shield earnings from deferral by increasing its equity ratio. For example, in TECO's case the difference between sharing at an equity ratio of 57.5%, as recommended by staff, and an equity ratio of 59.5%, as filed by the Company, assuming an ROE of 11.75% and holding all other things constant, is approximately $1.6 million in revenue. Through the flow of dividends and equity infusions between TECO and its parent, TECO Energy, the Company has complete control over the level of equity maintained at the utility level. This control is acknowledged in TECO Energy's Annual Report and the following passage from the May 1997 Standard & Poor's (S&P) Utility Credit Report for TECO:

> All of the subsidiaries upstream total unrestricted earnings to TECO Energy, which allocates equity to the subsidiaries based on cash requirements, <u>capital structure objectives, and management strategies</u>. [Emphasis added]

It is clear, by adjusting the level of equity maintained at the utility level, that the Company could affect the amount of earnings subject to sharing and deferral.

For 1996, TECO has calculated earnings based on its equity ratio of 59.5%. This equity ratio is higher than the implied guideline of 53% for electric utilities with an above average business position and an AA bond rating. This equity ratio is also higher than the 57.24% equity ratio that TECO projected for 1996 when it entered into the earnings sharing agreement. Further, this equity ratio is higher than TECO's parent company's 49% equity ratio. As stated above, the amount of earnings subject to deferral under the stipulation decreases as TECO's equity ratio increases, and TECO's parent company has control over TECO's equity levels. In light of these facts and circumstances, we believe that it is necessary to strike a balance in finding the appropriate equity ratio to use in determining the amount of earnings subject to deferral for 1996.

TECO asserts that this level of equity is necessary to maintain the Company's financial stability and flexibility. TECO further asserts that maintaining a strong balance sheet and strong credit rating are necessary to achieve a lower overall cost of capital. TECO submits that its overall cost of capital is consistent with, or lower than, its peer group of AA rated electric utilities. TECO notes that its 1996 equity infusion is less than in previous years. Further, TECO states that increasing the amount of equity is a long standing policy of the Company.

However, we note that a lower overall cost of capital does not always yield a lower revenue requirement. The income tax effect of the equity component must be considered in the analysis. That information has not been provided by TECO. Further, TECO's representative Mr. Oak stated previously in this docket that an equity ratio approaching 60% could be too high. At 59.5%, TECO's 1996 equity ratio is certainly "approaching 60%". We note also that this decision concerning TECO's equity ratio is made in the context of an earnings stipulation. Our policy has been and is to accord great deference to voluntary agreements reached between parties.

In Order No. PSC-97-0436-FOF-EI, we found that TECO's equity ratio of 58.7% was not unreasonable and was appropriate for calculating the Company's 1995 earnings pursuant to the stipulation. We find no reason to change that equity ratio for purposes of calculating the amount of earnings to be deferred for 1996. Accordingly, we find that TECO's equity ratio should be set at 58.7% solely for the purpose of calculating the amount of earnings to be deferred for 1996. We note that this finding is in no way intended to set a cap on TECO's actual equity ratio.

For the reasons stated above, and to ensure the agreement is equitably administered for both stockholders and ratepayers, we believe it is reasonable and appropriate to use an equity ratio of 58.7% for purposes of measuring 1996 earnings under the agreement. The effects of our approved adjustments to TECO's equity ratio and the treatment of deferred revenues in the 13-month average capital structure are shown in Attachment B to this Order, which is incorporated herein by reference.

V. Appropriate Net Operating Income for 1996

Based on the adjustments discussed below and Adjustments 1, 3, 4, and 5 discussed in Section II of this Order, we find that the appropriate NOI is $180,845,721 for 1996. The calculation of NOI is shown on Attachment A to this Order.

Adjustment 6. Deferred Revenue:

In 1996, TECO reduced revenues by $34.2 million for 1996 revenues subject to deferral and refunded $15.0 million of this amount as a credit on the customers' bills. In order to properly determine the amount of 1996 revenues to be deferred, $34.2 million should be included in revenues. We must reverse this amount in order to determine the total amount of earnings for 1996. The $15 million refund is subtracted in the calculation of deferred revenues in Attachment D to this Order, which is incorporated herein by reference.

Adjustment 7. Interest Reconciliation:

This adjustment is based on the reconciliation of the rate base and the capital structure due to the approved adjustments to rate base. In this instance, we find that income taxes should be reduced by $1,241,420 as shown in Attachment C, which is incorporated herein by reference.

Adjustment 8. Tax Effect of Other Adjustments:

The tax effect of the previous adjustments to NOI result in a $1,137,030 decrease to income taxes and a $13,063,990 increase to deferred income taxes.

VI. Total Amount of Earnings to be Deferred for 1996

According to its December 1996 Earnings Surveillance Report, TECO reported that it had deferred $34.2 million in revenues, which resulted in an earned ROE of 12.39% after the deferral. Based on the adjustments in this Order, using a 58.7% equity ratio, and after removing the $15 million refund, we find that the 1996 net deferred revenue is $22,094,593, plus interest. This compares to TECO's originally filed net deferral of $19.2 million. Therefore, we find that TECO shall record an additional revenue deferral of $2,894,593 for 1996. The calculation of the deferral amount is shown on Attachment D.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the appropriate 1996 rate base for Tampa Electric Company is $1,829,487,489. It is further

ORDERED that Plant in Service, Accumulated Depreciation, Depreciation Expense, and Taxes Other Than Income shall be reduced by $1,512,444, $373,677, $242,243, and $47,167, respectively, to reflect the exclusion of Tampa Electric Company's investment in the Orlando Utility Commission transmission line from TECO's 1996 rate base. It is further

ORDERED that the net acquisition adjustment of $5,580,605 associated with Tampa Electric Company's purchase of the Orlando Utility Commission transmission line is removed from TECO's 1996 rate base. It is further

ORDERED that Tampa Electric Company's fossil dismantlement expense for 1996 is increased by $313,341 and the 13-month average reserve is increased by $48,207 to reflect the September 30, 1996, in-service date of TECO's Polk Unit 1. It is further

ORDERED that Tampa Electric Company's rate base shall be decreased by $1,826,150 and net operating income shall be increased by $104,914 to reflect the approved treatment for the sales to the City of Lakeland and the Florida Municipal Power Agency. It is further

ORDERED that Tampa Electric Company's rate base shall be increased by $31,176 and net operating income shall be decreased by $163 to reflect the change in jurisdictional separation factors associated with the approved treatment for the sales to the City of Lakeland and the Florida Municipal Power Agency. It is further

ORDERED that Tampa Electric Company's full 13-month average balance of deferred revenue shall be included in its capital structure as a separate line item with a cost rate of 5.46%. It is further

ORDERED that Tampa Electric Company's equity ratio shall be set at 58.7% solely for purposes of measuring 1996 earnings. It is further

ORDERED that the appropriate 1996 net operating income for Tampa Electric Company is $180,845,721. It is further

ORDERED that, based on the adjustments discussed in the body of this Order, the 1996 net deferred revenue for Tampa Electric Company is $22,094,593, plus interest. It is further

ORDERED that Attachments A, B, C, and D to this Order are incorporated herein by reference. It is further

ORDERED that this docket shall remain open pending the review of TECO's 1997, 1998, and 1999 earnings and the determination of the appropriate amount of any additional deferred revenues related to 1997, 1998, and 1999. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective unless an appropriate petition, in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto.

By ORDER of the Florida Public Service Commission this 9th day of June, 1998.

BLANCA S. BAYÓ, Director
Division of Records and Reporting

Kay Flynn

Kay Flynn, Chief
Bureau of Records

(S E A L)

RVE/WCK

DISSENT

Chairman Johnson dissents from the Commission's decision regarding the cost rate for the treatment of deferred revenues in the capital structure. She believes that they should be assigned a "zero cost" as proposed by the Office of Public Counsel and the Florida Industrial Power Users Group.

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.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on June 30, 1998.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this order becomes final and effective on the date described above, any party substantially affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater 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 of the effective date 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.

ATTACHMENT A

FILENAME: TECO96

TAMPA ELECTRIC COMPANY
DOCKET NO. 950379-EI
REVIEW OF 1996 EARNINGS

	As Filed FPSC Adjusted Basis	OUC Transmission Line	OUC Transmission Line Acquisition Adj. Net	Fossil Fuel Dismantlement	Deferred Revenue	FMPA and Lakeland Wholesale Sale	Separation Factor Revision	Interest Reconciliation	Total Adjustments	Total Adjusted Rate Base
RATE BASE										
Plant in Service	$2,894,244,733	($1,512,444)	($5,580,605)			($2,795,955)			($9,889,004)	$2,884,355,729
Accumulated Depreciation	(1,160,672,445)	373,677	0	(48,207)		1,052,356			1,377,826	(1,159,294,619)
Net Plant in Service	1,733,572,288	(1,138,767)	(5,580,605)	(48,207)		(1,743,599)	0	0	(8,511,178)	1,725,061,110
Property Held for Future Use	48,471,966					(35,275)			(35,275)	48,436,691
Construction Work in Progress	34,092,982					(32,009)	31,073		(936)	34,092,046
Net Utility Plant	1,816,137,236	(1,138,767)	(5,580,605)	(48,207)		(1,810,883)	31,073	0	(8,547,389)	1,807,589,847
Working Capital	21,912,806					(15,267)	103		(15,164)	21,897,642
Total Rate Base	$1,838,050,042	($1,138,767)	($5,580,605)	($48,207)		($1,826,150)	$31,176	$0	($8,562,553)	$1,829,487,489
INCOME STATEMENT										
Operating Revenues	$587,441,175				$34,200,000	($155,152)			$34,044,848	$621,486,023
Operating Expenses:										
Operation & Maintenance - Fuel	9,225,494					0			0	9,225,494
Operation & Maintenance - Other	202,666,705					(128,744)	267		(128,477)	202,538,228
Depreciation & Amortization	112,561,296	(242,243)	0	313,341		(88,816)			(17,718)	112,543,578
Taxes Other Than Income	38,359,153	(47,167)				(32,398)			(79,565)	38,279,588
Income Taxes - Current	63,402,498	111,640				(7,146)	(104)	(1,241,420)	(1,137,030)	62,265,468
Deferred Income Taxes (Net)	7,137,718	0	0	(120,871)	13,192,650	(7,789)			13,063,990	20,201,708
Investment Tax Credit (Net)	(4,377,475)					4,777			4,777	(4,372,698)
(Gain)/Loss on Disposition	(41,114)					50			50	(41,064)
Total Operating Expenses	428,934,275	(177,770)	0	192,470	13,192,650	(260,066)	163	(1,241,420)	11,706,027	440,640,302
Net Operating Income	$158,506,900	$177,770	$0	($192,470)	$21,007,350	$104,914	($163)	$1,241,420	$22,338,821	$180,845,721
OVERALL RATE OF RETURN	8.62%								1.26%	9.89%
RETURN ON EQUITY	12.39%								3.10%	15.49%

ATTACHMENT A

ATTACHMENT B

DOCKET NO. 950379-EI
TAMPA ELECTRIC COMPANY
13-MONTH AVERAGE CAPITAL STRUCTURE
YEAR ENDING DECEMBER 31, 1996

AVERAGE TEST YEAR

		ADJUSTMENTS									
	RETAIL PER BOOKS	COMPANY SPECIFIC	COMPANY PRO RATA	COMPANY ADJUSTED	Deferred Revenue Adjustment	COMMISSION SPECIFIC	COMMISSION PRO RATA	COMMISSION ADJUSTED	WEIGHT	COST RATE	WEIGHTED COST
LONG TERM DEBT	$582,708,744	($7,886,641)	($95,979,404)	$478,842,699	($20,233,055)	$11,800,000	($2,288,090)	$468,121,554	25.59%	6.74%	1.72%
SHORT TERM DEBT	130,437,308	(380)	(21,779,362)	108,657,566	($4,590,301)		($506,187)	$103,561,078	5.66%	5.47%	0.31%
PREFERRED STOCK	30,728,000	(416,176)	(5,061,237)	25,250,587	($1,064,080)		($117,644)	$24,068,863	1.32%	5.75%	0.08%
CUSTOMER DEPOSITS	52,390,453	0	(8,747,758)	43,642,695	($1,840,781)		($203,326)	$41,598,588	2.27%	5.85%	0.13%
COMMON EQUITY	1,085,501,475	(4,306,847)	(180,529,621)	900,665,007	($38,058,337)	(11,800,000)	($4,138,355)	$846,668,316	46.28%	11.75%	5.44%
DEFERRED REVENUE	0	0		0	77,670,075			$77,670,075	4.25%	5.46%	0.23%
DEFERRED TAXES	279,332,463	1,830,118	(46,946,380)	234,216,201	($9,910,702)		($1,091,030)	223,214,469	12.20%	0.00%	0.00%
FAS 109 DEFERRED TAXES	0	0	0	0	0		0	0	0.00%	0.00%	0.00%
TAX CREDITS - ZERO COST	38,290	0	(6,393)	31,897	0		($155)	$31,741	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	56,126,574	(13,922)	(9,369,262)	46,743,390	($1,972,820)		($217,766)	$44,552,804	2.44%	9.89%	0.24%
	$2,217,263,307	($10,793,848)	($368,419,417)	$1,838,050,042	($0)	$0	($8,562,553)	$1,829,487,489	100.00%		8.15%
			EQUITY RATIO	59.51%			EQUITY RATIO	58.70%			

ATTACHMENT B

ATTACHMENT C

FILENAME: TECO96

TAMPA ELECTRIC COMPANY
DOCKET NO. 950379-EI
REVIEW OF 1996 EARNINGS

INTEREST RECONCILIATION

	Amount	Cost Rate	Interest Exp.	Tax Rate	Effect on Income Tax
Long Term Debt	$468,121,554	6.74%	$31,551,393		
Short Term Debt	103,561,078	5.47%	5,664,791		
Customer Deposits	41,598,588	5.85%	2,433,517		
Deferred Revenue	77,670,075	5.46%	4,240,786		
Tax Credits - Weighted Cost	44,552,804	2.36%	1,051,446		
Interest Expense			44,941,933		
Adj. Company Interest Expense			41,723,736		
Adjustment			($3,218,197)	38.575%	($1,241,420)

ATTACHMENT D

FILENAME: TECO96

TAMPA ELECTRIC COMPANY
DOCKET NO. 950379-EI
REVIEW OF 1996 EARNINGS

Adjusted Rate Base		$1,829,487,489
Adjusted Achieved Rate of Return	9.89%	
Beginning Sharing Point at 11.75% ROE	8.15%	
Excess Rate of Return		x 1.74%
Excess Net Operating Income		31,833,082
Revenue Expansion Factor		x 1.62800
Gross Excess Revenues		51,824,322
Less Refund		(15,000,000)
Gross Excess Revenues Less Refund		36,824,322
60% Deferred Per Stipulation		x 60.00%
Net 1996 Deferred Revenues		$22,094,593