State of Florida

Public Service Commission

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RECORDS AND REPORTING

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DATE: March 4, 1999

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYÓ)

FROM: DIVISION OF AUDITING AND FINANCIAL ANALYSIS (SLEMKEWICZ, CAUSSEAUX, LEE, MAUREY, DRAPER, MERTA) SM DD
DIVISION OF ELECTRIC AND GAS (BASS, GING)
DIVISION OF LEGAL SERVICES (ELIAS) RVE JS ALM RLT

RE: DOCKET NO. 950379-EI - INVESTIGATION INTO EARNINGS FOR 1995 AND 1996 OF TAMPA ELECTRIC COMPANY.

AGENDA: 03/16/99 - REGULAR AGENDA - POST HEARING DECISION - PARTICIPATION IS LIMITED TO COMMISSIONERS AND STAFF

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\AFA\WP\950379.RCM

CASE BACKGROUND

On June 9, 1998, the Florida Public Service Commission (the Commission) issued Proposed Agency Action Order No. PSC-98-0802-FOF-EI (the Proposed Order), which established the amount of deferred revenues that Tampa Electric Company (TECO or the Company) would defer for 1996, pursuant to stipulations approved by Order No. PSC-96-0670-S-EI, issued May 20, 1996, and Order No. PSC-96-1300-S-EI, issued October 24, 1996. Florida Industrial Power Users Group (FIPUG) and the Office of Public Counsel (OPC) filed protests of the Proposed Order.

On December 7, 1998, a hearing on this matter was held before the full Commission.

This recommendation addresses the appropriate cost rate to apply to 1996 deferred revenues in the capital structure and the method to calculate the separation of the Florida Municipal Power Agency (FMPA) and City of Lakeland (Lakeland) wholesale sales.

DISCUSSION OF ISSUES

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

RECOMMENDATION: The cost rate should be the 30-day commercial paper rate as specified in Rule 25-6.109, Florida Administrative Code. For 1996, as reflected in Attachment B, the average cost rate for the 30-day commercial paper rate was 5.46%. (DRAPER)

POSITION OF PARTIES:

TECO: As previously ordered by the Commission and as provided in Rule 25-6.109, Florida Administrative Code, the 30-day commercial paper rate should be used. Accrued interest should not be reflected in the capital structure at a zero cost rate. The latter would have the effect of disallowing a prudent cost related to a source of funds used to provide utility service. However, if a zero cost rate is deemed appropriate, it would be also appropriate to remove the interest accrued in the deferred revenue balance in the capital structure.

FIPUG: The appropriate cost rate to apply to deferred revenues is zero. Deferred revenues are revenues in excess of TECo's cost of service to which TECo has no entitlement. To impute interest on the deferred revenues would result in customers having to pay interest on their own money.

OPC: Deferred revenues plus interest should be assigned a zero cost rate. To do otherwise would cause less revenue to be deferred than if no interest were required. Order No. 95-0580, which governed 1995's deferred revenues, is not applicable to 1996, which is governed by the First Stipulation.

STAFF ANALYSIS: The resolution of this issue centers on whether or not a cost rate for deferred revenues should be included in the capital structure. This issue arises out of the disputed intent of two stipulations agreed upon among TECO, OPC, and FIPUG. The first stipulation was approved by Order No. PSC-96-0670-S-EI, and the second stipulation was approved by Order No. PSC-96-1300-S-EI.

Witness Bacon, appearing on behalf of TECO, states that the accounting treatment for the interest on deferred revenue, as approved in Order No. PSC-98-0802-FOF-EI, is appropriate for both ratepayers and the Company. (TR 32) Witness Bacon further states that the Commission's precedent on the proper capital structure treatment is very clear. She refers to orders for Quincy Telephone, Florida Public Utilities Company, and Southern Bell to support her recommendation regarding the appropriate capital structure treatment of deferred customer supplied dollars. (TR 32) Furthermore, witness Bacon states that deferred revenues are similar to customer deposits. The customer makes a deposit with the Company and receives interest on the deposit. The Company recovers the interest cost by assigning a cost rate to customer deposits in the capital structure. (TR 27) Finally, witness Bacon states:

> (The Company) would not have agreed to a disallowance without it being very clearly defined and stated in the stipulations. The language in the stipulations certainly does not specify that the interest would be absorbed by the shareholders. The language is clear that all reasonable and prudent expenses should be included in the calculation of deferred revenues. (TR 33)

FIPUG's witness Pollock testifies that it is inappropriate to impute an interest expense on deferred revenues when determining TECO's earned return on common equity for regulatory surveillance reporting purposes. (TR 154-155) Witness Pollock states:

> . . . that the deferred revenues interest should be stated at zero cost, that is, treated as a below-the-line expense, because they are by definition revenues in excess of the Company's cost of service. They're monies that the Company really shouldn't be planning to use, since no utility plans to earn revenues in excess of its cost of service. The Company has no entitlement to these excess revenues, and the only reason that the Company is permitted to retain them is to provide rate stability. (TR 166)

Witness Pollock uses a banking analogy to illustrate FIPUG's intended treatment of the deferred revenues by TECO, stating that:

> . . . TECO is holding these funds for the customers' benefit, much like a banker holds funds provided by its depositors. In return, the depositors are entitled to receive interest on their deposits. They are not, however, required to pay for the interest earned on their deposits. (TR 157)

Witness Pollock notes that imputing a cost of short-term debt to the deferred revenues artificially inflates TECO's cost of service, which will ultimately reduce the earned return on common equity and the potential for future deferred revenues and/or refunds under the stipulations. (TR 159) FIPUG disagrees with TECO's position that the stipulation does not have specific language regarding the appropriate treatment of the deferred revenues. FIPUG notes in its brief that the stipulation clearly states when interest is to be included as a regulatory expense in the capital structure. For example:

> . . . paragraph 10 discusses interest expense that might be incurred as to the Polk Power Station. The provision states that any interest so incurred 'will be considered a prudent expense for ratemaking purposes...' Thus, there is an explicit provision finding the interest to be a regulatory expense. (BR 5)

FIPUG concludes that "the perverse result TECO seeks would have been similarly and specifically included, but it was not, leading to the inescapable conclusion that shareholders should be responsible for the interest." (BR 5)

OPC's position is similar to FIPUG's in that deferred revenues and accrued interest should be assigned a zero cost rate in the capital structure. OPC witness Larkin states that the stipulations require the Company to pay interest to the ratepayers and that the interest should be at the stockholder's expense. Witness Larkin adds that the stipulation would not have been entered into by the ratepayers if they themselves had to pay their own interest. (TR 202)

Based on staff's review of both stipulations, we find no specific language that directly addresses the below-the-line treatment of the interest expense on the deferred revenues. The stipulations state:

> The revenues held subject to refund and the deferred revenues provided for herein shall accrue interest at the thirty day commercial paper rate as specified in Rule 25-6.109, Florida Administrative Code. These revenues shall be treated as if collected evenly throughout the year.

In addition, staff finds that only the Port Manatee site is mentioned in the stipulations as being excluded from the retail rate base and placed below-the-line. Staff believes that the intent of the parties is embodied within the four corners of the document. In the absence of any specific wording, staff infers from the plain language of the stipulations that deferred revenues and accrued interest should be included in the capital structure at the 30-day commercial paper rate. This is especially true in light of previous Commission decisions.

In previous Commission decisions, the 30-day commercial paper rate has been used as the cost rate for deferred revenues in the overall weighted average cost of capital. Witness Bacon refers to three Commission orders in which deferred revenues were included in the capital structure at the 30-day commercial paper rate. (TR 22) These three orders involved Quincy Telephone Company (Quincy), Southern Bell Telephone and Telegraph Company (Southern Bell), and Florida Public Utility Company (FPUC), Fernandina Beach Division.

In Docket No. 891237-TL, Order No. 22367, issued January 3, 1990, the Commission required Quincy to set up a deferred credit from its access charge bill and keep surplus revenues from 1987, 1988, 1989 and the first six months of 1990. The Order further states that "[the surplus revenues] . . . shall be set aside to accrue interest at the 30-day commercial paper rate . . ."

According to witness Bacon, in the Southern Bell case, Docket No. 880069-TL, excess revenues from 1994, 1995 and 1996, were deferred for eventual refund to customers. These deferred revenues were included in the capital structure as a specific adjustment to short-term debt and allowed to accrue interest at the 30-day commercial paper rate. (TR 23)

The most recent Commission decision cited by the parties is the FPUC case, Order No. PSC-97-0135-FOF-EI, issued February 10, 1997, in Docket No. 961542-EI. In the FPUC case, deferred revenues were assigned the 30-day commercial paper rate, which was entered into the capital structure as a separate line item. Witness Larkin testified that the FPUC case is distinctly different from the TECO case, in that the Commission did not increase the capital structure for the overearnings in the FPUC case. Instead, it reduced other components to reflect the amount of the over-earnings in the capital structure. (TR 198)

Staff agrees that the methods of disposition of the deferred revenues may be different in each case. Staff believes that regardless of whether the dockets mentioned were any part of a settlement or not the fact remains that for the Quincy, Southern Bell and FPUC cases, excess revenues were included in the capital structure at the 30-day commercial paper rate in determining the weighted average cost of capital. In the Southern Bell docket, deferred revenues were included in the weighted amount of short-term debt at the 30-day commercial paper rate. Staff notes that the Quincy and Southern Bell Orders were issued prior to the stipulations among the parties.

In staff's review of the stipulations, we can find no specific language that prohibits the Company from using the deferred revenues as a low cost source of capital. Witness Bacon testified to the similarity among customer deposits and deferred revenues, in which the expenses are included in the calculation of earnings. In her testimony, witness Bacon states:

> In the case of customer deposits, amounts are collected as security on the customer's account and interest is accrued on these amounts. Later, the deposit plus accrued interest is returned to the customer or the company retains the amount plus any accrued and unpaid interest for application to unpaid bills. (TR 27)

Witness Pollock disagrees with the Company, stating that customer deposits are a normal cost of doing business, whereas collecting revenues in excess of a utility's actual cost of providing service is not and that utilities are required by Commission rules to pay interest on customer deposits. (TR 158-9)

Staff believes that although earnings in excess of a utility's actual cost are not a desirable outcome, it does occur on occasion. Staff agrees with witness Bacon that overearnings are collected during the course of business, just as are customer deposits. (TR 240) Customer deposits and overearnings maybe returned to the ratepayers with the appropriate accrued interest. In some cases customer deposits are used to off-set a customer's outstanding bill. In the case of excess revenues, principle and accrued interest are sometime used to reducing a regulatory liability or other liability to the benefit of the ratepayers. In both events, the prevailing regulatory practice has been to include the amount collected from the ratepayers in the capital structure as an additional source of capital to the company at the appropriate cost rate.

Based on the above analysis, staff recommends that deferred revenue be included in the capital structure at the 30-day commercial paper rate as specified in Rule 25-6.109, Florida Administrative Code. For 1996, the average commercial paper rate for the 30-day commercial paper rate was 5.46%. (Order No. PSC-98-0802-FOF-EI, Attachment B; EXH 7, p. 2)

In its brief at pages 8 through 12, OPC has addressed the propriety of adjusting the balance of deferred revenue in the capital structure if a zero cost rate is assigned. While not specifically identified as an issue, this subject was discussed extensively at the hearing (TR pp. 126-142). OPC claims that pursuant to Section 120.80(13)(b), Florida Statutes, the issue cannot be raised. Section 120.80(13)(b), Florida Statutes, provides:

> Notwithstanding ss. 120.569 and 120.57, a hearing on an objection to proposed agency action of the Florida Public Service Commission may only address the issues in dispute. Issues in the proposed agency action which are not in dispute are deemed stipulated.

Staff disagrees with the suggestion that this statute is intended to apply as a per se bar to decide issues which are reasonably related to, implied by, or only otherwise relevant due to, the protest of an action taken via proposed agency action.

The Commission is not constrained, by operation of this statute, to ignore the related effects or implications of a protested issue, because the protesting party has opted not to raise the related issue. In the instant case, staff believes that the balance of deferred revenues should accurately reflect the cost rate assigned.

However, because staff has recommended that the appropriate cost rate for deferred revenues is the 30-day commercial paper rate, there is no need to adjust the deferred revenue balance in the capital structure.

ISSUE 2: What is the effect of assigning a zero cost rate to deferred revenues for 1996?

RECOMMENDATION: Based on the Staff's adjusted amounts in Attachments A through D, the result of using a zero cost rate is a $2,500,775 increase in the total amount of deferred revenues. Staff believes that this issue does not require a vote if the Commission approves Issue 1. (SLEMKEWICZ)

POSITION OF PARTIES:

TECO: The effect is to increase deferred revenues by $2,502,000. Such an adjustment would result in disallowing an expense ordered by the Commission, requiring the Company's shareholders to pay the accrued interest and depriving the Company of an opportunity to earn its authorized rate of return.

FIPUG: The effect of assigning a zero cost rate is to accord to customers the benefit of their bargain and not require them to pay interest on their own money. As TECo admits, assigning a zero cost, even under TECo's calculations, will increase the deferred revenues for 1996 by $2.5 million.

OPC: It gives customers the benefit of the bargain reached in the First Stipulation. It allows for deferral of earnings above prescribed limits plus accrued interest. A cost rate, however, would allow less than if the customers were not entitled to any interest at all.

STAFF ANALYSIS: The merits of whether a zero cost rate should be assigned to the deferred revenues in the capital structure has been discussed in Issue 1. Based on the Staff's adjusted amounts in Attachments A through D, the effect of using a zero cost rate, rather than the recommended 5.46% cost rate, is to increase the amount of deferred revenues by $2,500,775. This amount does not include any adjustment for the amount of accrued interest included in the deferred revenue component in the capital structure.

Staff believes that this issue does not require a vote by the Commission if Issue 1 is approved.

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

RECOMMENDATION: This issue was stipulated by the parties. Based on application of the separation methodology approved in TECO's last rate case, Staff recommends that rate base be decreased by $796,020 and net operating income ("NOI") be increased by $33,087. The calculation of future deferred revenues should include the impact of these adjustments as of December 1, 1996. (MERTA, GING)

POSITION OF PARTIES:

TECO: The treatment employed by the Company in 1996, as modified by Ms. Bacon's testimony, is appropriate. The Company's separation methodology accurately removed from the retail jurisdiction the costs associated with the Company's resources used to serve the FMPA and Lakeland contracts in 1996. The parties have stipulated to the result of using this methodology.

FIPUG: The parties have stipulated that the methodology shown in Staff Exhibit No. 1 is appropriate for 1996. FIPUG enters into this stipulation without prejudice to any party to take any position on this issue in future proceedings as so reflected in the hearing transcript. (TR 8-10)

OPC: The company has agreed to make the appropriate adjustments to fully separate these sales for 1996.

STAFF ANALYSIS: The parties have stipulated that the methodology shown in Staff Exhibit No. 1 is appropriate for 1996. (TR 6-10)

Service for the Lakeland contract began on November 4, 1996; service for FMPA began on December 16, 1996. Consistent with Order No. PSC-97-1273-FOF-EU, issued October 15, 1997, the Company used the "12 coincident peak methodology" approved in its last rate case to calculate the separation of the FMPA and Lakeland wholesale contracts from the retail jurisdiction. However, in the Proposed Order, the separation factors for FMPA were adjusted only for the 15 days the FMPA contract was in effect. In testimony, the Company realized that ". . . the proration of a month is not explicit in the 12 month coincident peak method and agrees to separate the full amount for December 1996. . ." (TR 30) In order to include the entire month of December in the factors, adjustments are necessary. The parties agreed that the impact of the change in separation factors on the components of rate base and NOI require a $812,797 reduction to rate base and a $33,139 increase to NOI. In addition, the impact of the change in separation factors on the adjustments require a $16,777 increase to rate base and a $52 decrease to NOI. The net adjustments are a $796,020 (16,777 - 812,797 = 796,020) reduction to rate base and a $33,087 (33,139 - 52 = 33,087) increase to NOI. The adjustments to each component of rate base and NOI are shown on Attachment A. The parties also agreed that the calculation of future deferred revenues should include the impact of these adjustments as of December 1, 1996. (TR 7-10)

ISSUE 4: Has TECO properly calculated the amount of deferred revenues for 1996?

RECOMMENDATION: No. Based on the adjustments in Issue 3, the amount of deferred revenues for 1996 is $22,081,064. (ATTACHMENT D) (MERTA)

POSITION OF PARTIES:

TECO: Yes. The Commission and the Staff have calculated property (sic) the amount of deferred revenues for 1996 in relation to the treatment of interest on deferred revenues. The Company agrees with the staff's calculations.

FIPUG: No. TECo has assigned a cost rate to the deferred revenues; they should be assigned a zero cost and the deferred revenues should be increased accordingly.

OPC: No. Tampa Electric did not advocate its own calculation, but merely endorsed the Commission's PAA order, which was not substantiated at the hearing. Deferred revenues should be $24,596,416 plus interest.

STAFF ANALYSIS: This is a mathematical calculation, a fallout number, that results from the incremental adjustments for the separation factors and from changing the cost rate of deferred revenues, if the Commission so decides. (TR 142) In its brief, "Public Council agrees that assignment of a zero cost requires that the Commission's interest synchronization adjustment should be altered." (BR 3)

Based on the adjustments in Issue 3, the amount of deferred revenues for 1996 is $22,081,064.

ISSUE 5: Should this docket be closed?

RECOMMENDATION: No. This docket should 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. (ELIAS)

STAFF ANALYSIS: This docket was opened to review TECO's earnings for both 1995 and 1996. However, Order No. PSC-96-0670-S-EI (TECO's 1995 earnings review), and Order No. PSC-96-1300-S-EI (Prudence review to determine the regulatory treatment of TECO's Polk Unit), approve stipulations that provide that any further Commission action relative to the stipulations be considered in Docket No. 950379-EI. Therefore, this docket should remain open pending the review of TECO's earnings for 1997, 1998, and 1999.

ATTACHMENT A

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

	As Filed FPSC Adjusted Basis	OUC Transmission Line	OUC Transmission Line Acquisition Net	Fossil Fuel Dismantlement	Deferred Revenue	FMPA and Lakeland Wholesale Sales	Separation Factor Revision	Incremental FMPA and Lakeland Wholesale Sales	Incremental 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)		(1,244,443)	3,053		($11,130,394)	$2,883,114,339
Accumulated Depreciation	(1,160,672,445)	373,677	0	(48,207)		1,052,356		468,389	(151)		1,846,064	(1,158,826,381)
Net Plant in Service	1,733,572,288	(1,138,767)	(5,580,605)	(48,207)		(1,743,599)	0	(776,054)	2,902	0	(9,284,330)	1,724,287,958
Property Held for Future Use	48,471,966					(35,275)		(15,701)	0		(50,976)	48,420,990
Construction Work in Progress	34,092,982					(32,009)	31,073	(14,247)	13,830		(1,353)	34,091,629
Net Utility Plant	1,816,137,236	(1,138,767)	(5,580,605)	(48,207)		(1,810,883)	31,073	(806,002)	16,732	0	(9,336,659)	1,806,800,577
Working Capital	21,912,806					(15,267)	103	(6,795)	45		(21,914)	21,890,892
Total Rate Base	$1,838,050,042	($1,138,767)	($5,580,605)	($48,207)		($1,826,150)	$31,176	($812,797)	$16,777	$0	($9,358,573)	$1,828,691,469
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)		(39,531)	85		(57,164)	112,504,132
Taxes Other Than Income	38,359,153	(47,167)				(32,398)		(14,420)			(93,985)	38,265,168
Income Taxes - Current	63,402,498	111,640				(7,146)	(104)	20,812	(33)	(1,234,116)	(1,108,947)	62,293,551
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	(33,139)	52	(1,234,116)	11,680,244	440,614,519
Net Operating Income	$158,506,900	$177,770	$0	($192,470)	$21,007,350	$104,914	($163)	$33,139	($52)	$1,234,116	$22,364,604	$180,871,504
OVERALL RATE OF RETURN	8.62%										1.27%	9.89%
RETURN ON EQUITY	12.39%										3.11%	15.50%

DOCKET NO. 950379-EI
TAMPA ELECTRIC COMPANY
STAFF ADJUSTED EARNINGS SURVEILLANCE REPORT
YEAR ENDING DECEMBER 31, 1996

Attachment B

AVERAGE TEST YEAR

		ADJUSTMENTS									
	RETAIL PER BOOKS	COMPANY SPECIFIC	COMPANY PRO RATA	COMPANY ADJUSTED	DEFERRED REVENUE ADJUSTMENT	STAFF SPECIFIC	STAFF PRO RATA	STAFF ADJUSTED	WEIGHT	COST RATE	WEIGHTED COST
LONG TERM DEBT	$582,708,744	($7,886,641)	($95,979,404)	$478,842,699	($20,234,701)	$11,800,000	($2,500,794)	$467,907,204	25.59%	6.74%	1.72%
SHORT TERM DEBT	130,437,308	(380)	(21,779,362)	108,657,566	($4,591,598)		($553,238)	$103,512,730	5.66%	5.47%	0.31%
PREFERRED STOCK	30,728,000	(416,176)	(5,061,237)	25,250,587	($1,067,027)		($128,565)	$24,054,995	1.32%	5.75%	0.08%
CUSTOMER DEPOSITS	52,390,453	0	(8,747,758)	43,642,695	($1,844,232)		($222,210)	$41,576,253	2.27%	5.85%	0.13%
COMMON EQUITY	1,085,501,475	(4,306,847)	(180,529,621)	900,665,007	($38,059,863)	(11,800,000)	($4,523,070)	$846,282,074	46.28%	11.75%	5.44%
DEFERRED REVENUE	0	0		0	77,670,075		$0	$77,670,075	4.25%	5.46%	0.23%
DEFERRED TAXES	279,332,463	1,830,118	(46,946,380)	234,216,201	($9,897,394)		($1,192,529)	$223,126,278	12.20%	0.00%	0.00%
FAS 109 DEFERRED TAXES	0	0		0	$0		$0	$0	0.00%	0.00%	0.00%
TAX CREDITS - ZERO COST	38,290	0	(6,393)	31,897			($170)	$31,727	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	56,126,574	(13,922)	(9,369,262)	46,743,390	($1,975,259)		($237,997)	$44,530,133	2.44%	9.89%	0.24%
	$2,217,263,307	($10,793,848)	($368,419,417)	$1,838,050,042	$0	$0	($9,358,573)	$1,828,691,469	100.00%		8.15%

Equity Ratio: 59.51%

Equity Ratio: 58.70%

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

ATTACHMENT C

INTEREST RECONCILIATION

	Amount	Cost Rate	Interest Exp.	Tax Rate	Effect on Income Tax
Long Term Debt	$467,907,204	6.74%	$31,536,946		
Short Term Debt	103,512,730	5.47%	5,662,146		
Customer Deposits	41,576,253	5.85%	2,432,211		
Deferred Revenue	77,670,075	5.46%	4,240,786		
Tax Credits - Weighted Cost	44,530,133	2.36%	1,050,911		
Staff Interest Expense			44,923,000		
Adj. Company Interest Expense			41,723,736		
Staff Adjustment			($3,199,264)	38.575%	($1,234,116)

ATTACHMENT D

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

Adjusted Rate Base			$1,828,691,469
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			31,819,232
Revenue Expansion Factor		x	1.62800
Gross Excess Revenues			51,801,773
Less Refund			(15,000,000)
Gross Excess Revenues Less Refund			36,801,773
60% Deferred Per Stipulation		x	60.00%
Net 1996 Deferred Revenues			$22,081,064