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RECORDS AND REPORTING

ORIGINAL

July 8, 1998

HAND DELIVERED

Ms. Kay Flynn
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 950379-EI - Tampa Electric Company
Audit Report - Surveillance - 12 Months Ended
December 31, 1997 - Audit Control #98-082-2-3

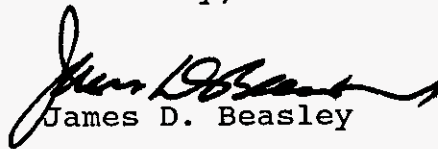
Dear Ms. Flynn:

Enclosed is the original and one copy of Tampa Electric Company's response to the Staff's Audit Report in the above docket.

Please acknowledge receipt and filing of the above by stamping the duplicate copy of this letter and returning same to this writer.

Thank you for your assistance in connection with this matter.

Sincerely,


James D. Beasley

RECEIVED & FILED

INSPECTOR GENERAL OF RECORDS

- ACK _____
- AFA Slumkin
- APP _____ JDB/pp
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cc: Public Counsel
Division of Audit and Financial Analysis (Denise Vandiver)

DOCUMENT NUMBER-DATE

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RECORDS AND REPORTING

**TAMPA ELECTRIC COMPANY
EARNINGS SURVEILLANCE AUDIT
12 Months Ended December 31, 1997
Docket No. 950379-EI / Audit Control No. 98-082-2-3**

Disclosure No. 1

Subject: Industry Association Dues

Statement of Fact: Tampa Electric Company's (TEC) General Ledger at 12-31-97 had a balance of \$871,529 in Acct. No. 930.02, Miscellaneous Expense - Company Dues. Included in the amount were the following expenses:

East Polk County Assoc of Realtors.....	\$ 2,800
Employees Health Coalition.....	\$ 5,564
Points of Light Foundation.....	\$ 1,000
Tampa Downtown Partnership	\$ 8,500
Westshore Alliance.....	<u>\$ 1,643</u>
Total.....	\$19,507

Response.

Tampa Electric agrees with the regulatory adjustment of the items for \$5,564 and \$1,000. However, the company believes that the line items for East Polk County Association of Realtors, Tampa Downtown Partnership, and Westshore Alliance are economic development expenditures and 90 percent of the \$12,943 total should be allowed according to Florida Administrative Code (FAC) 25.6.0426. Account number 930.02 (Company Dues) is the proper account that should have been charged.

**TAMPA ELECTRIC COMPANY
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Disclosure No. 2

Subject: Deferred Income Taxes - Capital Structure

Statement of Fact: The Company reported year end deferred income taxes of \$314,344,089 in the December 1997 Earnings Surveillance Report. The December 1997 preliminary trial balance reflects year end 1997 deferred income taxes of \$314,665,644 a difference of \$321,555. Memorandum dated August 12, 1997 not included.

Response.

Tampa Electric does not believe a general ledger adjustment is needed for this item. As the disclosure notes, the surveillance report reflects the correct amounts. The general ledger also reflects the correct amounts by FERC account number. The sub-ledger reclassification suggested here is not a breakdown that matches the types of detail breakdowns the company currently performs. This seems to indicate that the adjustment proposed is not necessary.

**TAMPA ELECTRIC COMPANY
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Disclosure No. 3

Subject: Revenues

Statement of Fact: The Company reported \$1,188,960,214 as operating revenues on the 1997 Earnings Surveillance Report. Included in this amount was a debit balance of \$24,075 in account 41819, Earnings Associated Company - PE&C.

Response.

Tampa Electric agrees that the adjustment proposed should be made to the 1997 earnings surveillance report.

**TAMPA ELECTRIC COMPANY
EARNINGS SURVEILLANCE AUDIT
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Disclosure No. 4

Subject: Advertising Charges

Statement of Fact: Tampa Electric Company (TEC), on its 1997 Surveillance Report, included charges for Informational/Instructional Advertising (A/C#909.12) and Sales Related Advertising (A/C#913.01). A judgmental sample of the invoices processed in accounts 909.12 and 913.01 were reviewed to determine proper accounting treatment.

Response.

- 1) The charge of \$2,395 for the ad in the Lakeland Chamber of Commerce 1998 directory is an economic development expenditure and 90 percent of the \$2,395 total should be allowed according to FAC 25.6.0426.
- 2) The charge of \$1,100 for publishing a TECO Intranet Users Guide should be an allowable expense because the intranet is an internal communication tool for employees use only. These types of transactions were audited during the 1997 Tampa Electric Web Site Audit and determined to be allowable expenses.
- 3) Tampa Electric agrees that the \$1,470 adjustment proposed for the newspaper ad in Community '97 should be made to the 1997 earnings surveillance report.
- 4) Tampa Electric agrees that the \$2,200 adjustment proposed for the TECO logo at Cypress Gardens should be made to the 1997 earnings surveillance report.
- 5) Tampa Electric agrees that some non-electric activities occur at the Electric Technology Research Center (ETRC) in addition to the electricity related displays, seminars and activities. The electric nature of certain activities, such as Medical Waste Disposal Systems, could be debated - as well as the percentage of non utility activities at ETRC. However, to facilitate a cooperative resolution of this item, the company is willing to concur with the percentage indicated by the auditor. Clarification is needed on whether the percentage noted was or should be applied to the \$25,892 shown in the disclosure. We will await more information on this to make the appropriate adjustment.