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August 3, 2000 ORIGINAL

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Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Investigation into Earnings for 1995 and 1996 of Tampa Electric Company; Audit Report; Earnings Surveillance – 12 Months Ended December 31, 1999; Audit Control No. 00-069-2-1; FPSC Docket No. 950379-EI

Dear Ms. Bayo:

Enclosed for filing in the above docket are fifteen (15) copies of Tampa Electric Company's response to the above-referenced Audit Report.

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

JDB/pp
Enclosures

cc: Denise N. Vandiver

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AUDIT DISCLOSURE NO. 1

Subject: Advertising Charges

Statement of Fact: Tampa Electric Company (TECO), on its 1999 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.

Included in these amounts were charges for the following:

$5000 to the Tampa Bay Regional Planning Council for sponsorship of the 1999 Hurricane Guide Public Awareness Campaign.

$12,000 to the New York Yankees for two wall signs at Legends Field with Tampa Electric logo.

$2,281 for mini soccer balls with the Tampa Electric logo given away at Tampa Bay Mutiny soccer games.

$3,412 for food and drinks at the Florida Plant Engineering & Maintenance Show.

$1,000 for co-sponsorship of the Pinellas and Hillsborough County Hotel and Motel Association annual education fund raiser.

$17,009 for Y2K readiness bill inserts for Tampa Electric and Peoples Gas. The inserts were 68% for Tampa Electric and 32% for Peoples Gas. Tampa Electric paid for the full cost of the inserts.

Opinion: The majority of the above advertising charges appear to be image building and do not have tangible benefits to the ratepayers, therefore they should be adjusted out of the 1999 surveillance report.

The company did not explain how the charges for food and drink at the trade show would benefit the ratepayers. TECO staff stated that this was a relationship building opportunity.

While sponsorship of the hurricane guide and the education fundraiser are worthwhile causes, the issue is why should the electric customers have to pay for these charges. The expenses would be more appropriately chargeable to the stockholders, since this also is image building.

Although the Y2K bill inserts are allowable, an adjustment is needed to charge $5445 to Peoples Gas for its share of the Y2K insert charges.

The total amount of advertising charges to be adjusted out of the surveillance report is $29,138.

Company Response: Tampa Electric agrees that $5,443 of the Y2K readiness bill inserts should have been allocated to Peoples Gas.

AUDIT DISCLOSURE NO. 2

Subject: Industry Association Dues

Statement of Fact: Tampa Electric Company's (TECO) General Ledger at December 31, 1999 had a balance of $816,538 in Account No. 930.02, Miscellaneous Expense – Company Dues. Included in this amount were the following expenses not removed from the surveillance report.

Global Climate Coalition	$18,750
The Conference Board	$ 1,500
Total	$20,250

Opinion: It does not appear that these expenses should be included in O&M expense for regulatory purposes. The dues of these organizations do not relate to the provision of electricity and provide no direct benefit to ratepayers.

Per Company response, the Global Climate Coalition (GCC) is an organization of business trade associations established to coordinate business participation in the scientific and policy debate on the global climate change issue. GCC has represented its membership at all international negotiations.

Company response also explains that the Conference Board's purpose is to improve the business enterprise system and to enhance the contribution of business to society. It provides its members with cross-industry knowledge and reports of various issues that are used by TECO for evaluation. Among the areas covered by the reports are corporate contributions and retiree programs.

Company Response: Tampa Electric believes both the Global Climate Coalition and The Conference Board are valuable organizations that provide its members with numerous reports and statistics that assist the company in managing the business. TEC believes no adjustment would be appropriate.

AUDIT DISCLOSURE NO. 3

Subject: Conservation and Environmental Clause Adjustments

Statement of Fact: The Company made adjustments to the Earnings Surveillance Report for revenues and expenses recovered through the Energy Conservation Cost Recovery Clause (ECCR) and the Environmental Cost Recovery Clause (ECRC).

The adjustments for revenue were the same as filed in the ECCR and ECRC filings as of December 31, 1999. The ECCR expense adjusted on the surveillance report is $19, 492 less than the $18,129,268 reported on the filing (0.001%) and the adjusted ECRC expense is $187,168 less than the $4,265,418 on the filing (0.046%).

The company stated, estimated expenses are used to adjust the monthly earnings surveillance reports since these amounts are used to book deferred true-up amounts. The true-up filing amounts are the actual monthly amounts per general ledger that have been adjusted during the monthly review process to exclude charges that are determined to be non-recoverable though the clauses.

Company Response: As part of the financial close-out process, estimates for expense must be used in order to calculate deferred entries to close the books in a timely fashion. Later, when actual expense is determined, true-up filings are completed and deferred entries are trued-up. However, the Surveillance Report clause adjustment must equal the total clause transactions actually posted to the general ledger. To adjust the Surveillance Report based on filing data would create a mismatch and cause an adjustment that would not be appropriate.

AUDIT DISCLOSURE NO. 4

Subject: Gross Receipts Tax Return Adjustments

Statement of Fact: The Company made errors in computing the January and February monthly Gross Receipts Tax Returns. Taxes, per Tax Returns, were overpaid by $147,358 and $11,250, respectively. Total overpayment equaled $158,608.

Company Response: Tampa Electric has made this adjustment in the June 2000 return.

AUDIT DISCLOSURE NO. 5

Subject: Omission of Liability in Working Capital Computation

Statement of Fact: The Company did not make an adjustment to remove $119,945 of Deferred Credit – ECRC, from the 13-month average computation of working capital.

Per Company spokesperson, this adjustment omission was an oversight by the company. Total working capital as recorded equals $39,722 039. The effect upon Rate Base for the liability not recorded is $116,591 (or .29% of Working Capital).

If an adjustment was make for this item, there would be a negligible effect upon the Company's Rate of Return.

Company Response: Tampa Electric did erroneously omit this clause related deferred credit adjustment from the working capital computation. Had the adjustment been included in working capital calculation, the retail rate base for the company would have increased by $116,591.

AUDIT DISCLOSURE NO. 6

Subject: Retroactive Change in 1999 Depreciation Rates

Statement of Fact: The Commission Order No. PSC-00-0603-PAA-EI, issued March 2, 2000, the Company was required to revise its depreciation rate from interim to permanent, based upon a new depreciation study. The change in depreciation was retroactive to January 1, 1999.

The Company mad an adjustment to decrease its depreciation expense $529,708 in its March 2000 books. We analyzed this adjustment and agree with the computation. However, since it was not made until the year 2000, 1999 depreciation expense and accumulated depreciation are overstated.

On a retail bases, the adjustment would be approximately $490,235. It should also be noted that depreciation expense, for the year 2000, will be understated by accumulated depreciation at year-end will be correct.

Company Response: Tampa Electric did make a true-up adjustment to its depreciation expense in March of 2000 related to 1999. However, the depreciation adjustment was for $1,800,460. The audit report only shows the amount associated with the assets other than the Gannon Station. On a retail basis, the adjustment would be $1,666,293.