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COMMISSION
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August 27, 2004

HAND DELIVERED

Ms. Blanca S. Bayo, Director
Division of Commission Clerk
and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Environmental Cost Recovery Clause
FPSC Docket No. 040007-E1

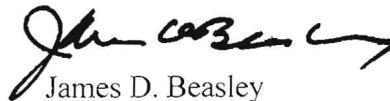
Dear Ms. Bayo:

Enclosed for filing in the above docket is the original and fifteen (15) copies of Tampa Electric Company's Response to Staff's Environmental Cost Recovery Audit dated June 30, 2004 for the Twelve Months Ended December 31, 2003 – Audit Control Number 04-044-2-1.

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

- CMP _____
- COM 5
- CTR _____
- ECR _____
- GCL _____
- OPC _____ JDB/pp
- Enclosure
- MMS _____
- RCA _____ cc: All Parties of Record (w/enc.)
- SCR _____
- SEC 1
- OTH _____

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FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER - DATE

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FPSC-COMMISSION CLERK

**Tampa Electric Company Response
To
Environmental Cost Recovery Audit
Twelve Months Ended December 31, 2003
Docket No. 040007-EI
Audit Control Number 04-044-2-1**

This document contains Tampa Electric's response to the Environmental Cost Recovery Clause audit of the twelve months that ended December 31, 2003. The company's response includes comments to Audit Disclosure Numbers 1 and 4.

Audit Disclosure No. 1

Tampa Electric agrees with the recommendation for this disclosure. The company has complied with the Commission decision contained in FPSC Order No. PSC-00-1906-PAA-EI and believes any further analysis of the Big Bend FGD Optimization and Utilization Project relative to the \$390,468 capital expenditure at the outset of this project will not provide any benefit.

Audit Disclosure No. 4

Based on the research done by Tampa Electric to provide the data requested by the auditor for the subject matter of this disclosure, the company discovered an ECRC allocation error on Big Bend Station water meter billing that occurred in 2003 and 2004. For those years, all billing for water utilized in the FGD systems was allocated for ECRC recovery. However, only the water utilized in the FGD systems for Big Bend Units 1, 2 and 3 can be allocated for ECRC recovery. Water utilized in the FGD system for Big Bend Unit 4 is a base rate allocation.

For 2003, the removal of dollars from the ECRC associated with water for Big Bend Unit 4 created an adjustment of \$194,350 that was reflected in the 2004 ECRC Actual/Estimated True-Up filed August 4, 2004. For 2004, journal entries were made to correct the error. Also, for 2004 and beyond, proper account numbers and procedures have been established and reviewed for accurate allocations.