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July 26, 1996

HAND DELIVERED

FILE COPY

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

Re: Proposed Revisions to Rule 25-6.0141, F.A.C., Allowance
for Funds Used During Construction (AFUDC); FPSC Docket
No. 951535-EI

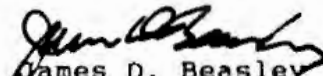
Dear Ms. Bayo:

Enclosed for filing in the above docket are the original and fifteen (15) copies of Comments of Tampa Electric Company.

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

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CAF Enclosures
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FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Proposed Revisions to)
Rule 25-6.0141, F.A.C.,)
Allowance for Funds Used)
During Construction (AFUDC).)

DOCKET NO. 951535-EI
FILED: July 26, 1996

COMMENTS OF TAMPA ELECTRIC COMPANY

Tampa Electric Company ("Tampa Electric" or "the company"), pursuant to the notice of proposed rulemaking issued June 27, 1996, submits the following comments in opposition to the proposed Rule 25-6.0141, F.A.C., Allowance for Funds Used During Construction (AFUDC). The company does not request that a formal hearing be held. Provided that no hearing is held pursuant to the written request of any other interested party, Tampa Electric does request an opportunity to address the Commission during the agenda conference at which the Commission will hold deliberations prior to adopting, rejecting or modifying the proposed rule. The company's comments are as follows:

1. Tampa Electric urges the Commission to reject the proposed revisions and to adopt the alternative staff recommendation set forth in the staff's recommendation that was considered by the Commission at the June 11, 1996 agenda conference. Adoption of the alternative staff recommendation would avoid disparity in accounting treatment between the utilities. The alternative staff recommendation would raise the limits of projects which carry AFUDC to \$15 million for all utilities. The cost of a project should not depend on the asset base of each utility. Two different utilities with exactly the same project should not by

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FPSC-RECORDS/REPORTING

rule of this Commission have different costs booked for that project.

2. The Uniform System of Accounts (USOA) adopted by the Federal Energy Regulatory Commission (FERC) and this Commission requires that electric plant be stated at cost. It further identifies that the cost of construction properly includable in the electric plant accounts include the direct and overhead costs listed as components of construction costs. AFUDC is identified as one of those costs. The USOA does not identify any dollar level of projects that is excluded from the AFUDC calculation. It certainly does not identify a percent of the asset base that is excludible from the AFUDC calculation.

3. Generally accepted accounting principles (GAAP) recognizes that the basis of capitalizing interest costs is that the cost of an asset should include all costs necessary to bring the asset to the condition and location for its intended use. GAAP concludes that a better measure of asset cost is achieved when interest costs are capitalized, resulting in a better matching of revenue and costs in future periods. Consistency in accounting is one of the underlying foundations of GAAP. The company believes that adoption of the proposed rule changes would create an inconsistency in accounting treatment among the utilities

4. A second point the company believes should be challenged is the assumption that there needs to be a change in the dollar level of projects subject to AFUDC calculation. The company believes that the assumption that AFUDC must be reduced because of

the threat of competition or a perceived potential for stranded costs is inappropriate. GAAP does not allow the write down of asset values based on anticipated events but requires proof that the carrying value of the assets are not being covered by revenues. The proposed rule changes if adopted would recognize impairments of assets based on speculative future events.

5. Tampa Electric urges the Commission to reject the proposed rule changes contained in the primary staff recommendation and instead adopt the staff alternative proposal as the most consistent accounting treatment for APUDC.

DATED this 26th day of July, 1996.

Respectfully submitted,



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ATTORNEYS FOR TAMPA ELECTRIC COMPANY