

FLORIDA PUBLIC SERVICE COMMISSION

AUDIT REPORT

12 MONTHS ENDED DECEMBER 31, 1996

Field Work Completed

June 4, 1997

TAMPA ELECTRIC COMPANY

Tampa, Florida
Hillsborough County

SURVEILLANCE REPORT REVIEW

Docket Number 950379-EI

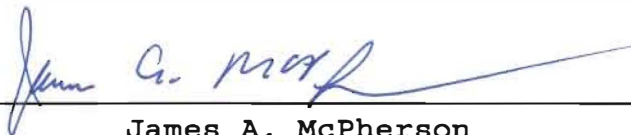
Audit Control Number 97-056-2-1

Audit Staff

Simon Ojada

Minority Opinion

Yes--- No *NO*



James A. McPherson
Audit Manager and
Regulatory Analyst Supervisor
Tampa District Office

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

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I. EXECUTIVE SUMMARY

PURPOSE: We have applied the procedures described in Section II of this report to examine the appended Surveillance Report schedules for Rate Base, Net Operating Income and Capital Structure prepared by Tampa Electric Company for the twelve month period ending December 31, 1996.

SCOPE LIMITATION: There are no confidential workpapers associated with this report. The last day of field work was June 4, 1997.

DISCLAIM PUBLIC USE: This is an internal accounting report prepared after performing a limited scope audit; accordingly, this document must not be relied upon for any purpose except to assist the Commission staff in the performance of their duties. Substantial additional work would have to be performed to satisfy generally accepted auditing standards and produce audited financial statements for public use.

OPINION: The schedules of Rate Base, Net Operating Income and Capital Structure for the twelve months ended December 31, 1996 represent utility books and records maintained in substantial compliance with Commission directives. The expressed opinion extends only to the scope of work described in Section II of this report.

II. SCOPE

The opinions contained in this report are based on the procedures described below. When used in this report COMPILED means that procedures include:

COMPILED: Means that the audit staff reconciled exhibit amounts with the general ledger; visually scanned accounts for error or inconsistency; disclosed any unresolved error, irregularity, or inconsistency; and, except as otherwise noted performed no other audit work.

RATE BASE: Compiled components of Rate Base and agreed to the Surveillance Report as filed by the Company. Tested the 13 month average calculations.

NET OPERATING INCOME: Compiled components of Net Operating Income and agreed to the Surveillance Report as filed by the Company. Recomputed the 1996 depreciation expense using the new rates determined in the company's latest Depreciation Study. Examined a judgmental sample of advertising invoices for proper inclusion in operating expense. Recomputed Unbilled Revenue at 12-31-96.

CAPITAL STRUCTURE: Compiled components of Capital Structure and agreed to the Surveillance Report as filed by the Company. Verified the calculation of interest rate factors used for the various components of capital structure.

OTHER: Reviewed the recording of 1996 Deferred Revenues and recalculated accrued interest associated with both 1995 and 1996 Deferred Revenue balances using FPSC approved rates. Reviewed the Surveillance Report to determine that Fuel, Conservation and Environmental Recovery costs and revenues were removed. Recalculated the rate of return achieved on average rate base.

DISCLOSURE NO. 1

SUBJECT: Dismantlement of Polk Power Station

STATEMENT OF FACTS:

FPSC Order No. 96-0399-FOF-EI states that the current annual accrual for fossil fuel dismantlement of \$8,770,000 is appropriate and this annual accrual will increase when the Polk Power Station comes on line. The Polk Power Station came on line September 30, 1996.

During 1996, Tampa Electric Company recorded a monthly expense for fossil fuel dismantlement of \$730,836 (\$8,770,035 per year). Beginning January 1997, the monthly accrual increased to \$843,243 (\$10,118,800 per year). This is a monthly increase of \$112,397.

STATEMENT OF OPINION:

Tampa Electric Co. understated their amortization expense for 1996 by \$337,192 (\$112,397 times three months) because they did not increase their dismantlement accrual when the Polk Power Station came on line.

TAMPA ELECTRIC COMPANY
AVERAGE RATE OF RETURN
RATE BASE
DECEMBER 1996

SCHEDULE 2
PAGE 1 OF 3

	(1) Plant In Service	(2) Accumulated Depreciation & Amortization	(3) Net Plant In Service	(4) Property Held For Future Use	(5) Construction Work In Progress	(6) Nuclear Fuel (Net)	(7) Net Utility Plant	(8) Working Capital	(9) Total Rate Base
System Per Books	\$ 3,134,478,969	\$ (1,248,307,342)	\$ 1,886,171,627	\$ 51,395,487	\$ 312,101,388	\$ 0	\$ 2,248,888,502	\$ (18,492,049)	\$ 2,233,176,453
Less: Fuel and ECCR								(30,045,081)	(30,045,081)
Other								71,510,856	71,510,856
ECRC	(8,513,921)	418,812	(8,095,109)				(8,095,109)	(183,894)	(8,279,003)
Regulatory Base - System	3,125,965,048	(1,247,888,530)	1,878,076,518	51,395,487	312,101,388	0	2,241,573,393	24,789,832	2,266,363,225
Regulatory Base - Retail	2,894,244,733	(1,160,672,445)	1,733,572,288	48,471,966	309,448,570	0	2,091,492,824	23,524,566	2,115,017,390
FPSC Adjustments									
Fuel Inventory								(135,755)	(135,755)
CWIP					(309,448,570)		(309,448,570)		(309,448,570)
CWIP In Rate Base					34,092,982		34,092,982		34,092,982
Job Order Receivables								(1,478,005)	(1,478,005)
Total FPSC Adjustments	0	0	0	0	(275,355,588)	0	(275,355,588)	(1,611,760)	(276,967,348)
FPSC Adjusted	2,894,244,733	(1,160,672,445)	1,733,572,288	48,471,966	34,092,982	0	1,816,137,236	21,912,806	1,838,050,042
Pro Forma Revenue Increase and Annualization Adjustments:									
Total Pro Forma Adjustments	0	0	0	0	0	0	0	0	0
Pro Forma Adjusted	\$ 2,894,244,733	\$ (1,160,672,445)	\$ 1,733,572,288	\$ 48,471,966	\$ 34,092,982	\$ 0	\$ 1,816,137,236	\$ 21,912,806	\$ 1,838,050,042

The calculations on this schedule were made in direct response to and according to methodology prescribed in Order No. PSC-83-0165-FOF-EI by the Florida Public Service Commission staff and for that reason only. Tampa Electric Company takes the position that certain portions of these prescribed calculations may not present fairly the company's current financial status and that they should not be used for that purpose.

TAMPA ELECTRIC COMPANY
AVERAGE RATE OF RETURN
INCOME STATEMENT
DECEMBER 1996

SCHEDULE 2
PAGE 2 OF 3

	(1) Operating Revenues	(2) O & M Fuel & Net Interchange	(3) O & M Other	(4) Depreciation & Amortization	(5) Taxes Other Than Income	(6) Income Taxes Current	(7) Deferred Income Taxes (Net)	(8) Investment Tax Credit (Net)	(9) Gain/Loss On Disposition	(10) Total Operating Expenses	(11) Net Operating Income
System Per Books	\$ 1,112,885,383	\$ 432,125,530	\$ 229,695,245	\$ 120,151,958	\$ 88,986,265	\$ 68,422,614	\$ 7,600,426	\$ (4,861,248)	\$ (44,070)	\$ 940,258,720	\$ 172,628,663
Less: Recoverable Fuel	(427,007,845)	(421,453,231)			(298,533)	(2,138,928)				(423,880,892)	(3,117,153)
GPIF Revenues/Penalties	(88,619)				(74)	(34,156)				(34,230)	(54,389)
Recoverable ECCR	(19,169,468)		(19,178,275)		(11,996)	7,253				(19,181,018)	11,550
Recoverable ECCR - ROI	(210,141)				(136)	(81,009)				(81,145)	(128,996)
Recoverable ECRC	32,255		217,440	(229,839)	24	3,362				(9,013)	41,268
Recoverable ECRC ROI	(648,212)				37	(327,212)				(327,175)	(521,037)
Regulatory Base - System	665,593,353	10,872,299	210,736,410	119,922,119	86,855,587	65,851,924	7,600,426	(4,861,248)	(44,070)	496,733,447	168,859,908 (a)
Regulatory Base - Retail	634,341,857	10,081,805	203,088,412	112,561,296	83,970,510	62,628,045	7,137,718	(4,377,475)	(41,114)	475,048,997	158,292,660 (a)
FPSC Adjustments											
Industry Association Dues			(125,397)			48,372				(77,025)	77,025
Solaris and Waterfall			(11,230)			4,332				(8,898)	8,898
Stockholder Relations			(278,539)			108,875				(169,664)	169,664
Civic Club Meals			(3,514)			1,356				(2,158)	2,158
Franchise Fee Revenue and Expense	(20,573,750)				(20,843,106)	28,755				(20,816,353)	42,803
Gross Receipts Tax	(24,968,249)				(24,968,249)	0				(24,968,249)	0
Income Tax True-up						778,814				778,814	(778,814)
Opt Prov Revenue and Third Party Purcha	(856,111)	(856,111)				0				(856,111)	0
Job Order Revenues	(502,371)					(193,790)				(193,790)	(306,581)
Economic Development			(5,026)			1,939				(3,087)	3,087
Total FPSC Adjustments	(46,900,481)	(856,111)	(421,706)	0	(45,611,357)	774,453	0	0	0	(46,114,721)	(785,760)
FPSC Adjusted	587,441,175	9,225,494	202,666,708	112,561,296	38,359,153	63,402,498	7,137,718	(4,377,475)	(41,114)	428,934,276	158,508,900
Pro Forma Revenue Increase and Annualization Adjustments:											
Total Pro Forma Adjustments	0	0	0	0	0	0	0	0	0	0	0
Pro Forma Adjusted	\$ 587,441,175	\$ 9,225,494	\$ 202,666,708	\$ 112,561,296	\$ 38,359,153	\$ 63,402,498	\$ 7,137,718	\$ (4,377,475)	\$ (41,114)	\$ 428,934,276	\$ 158,508,900

(a) The addition of earnings from AFUDC would increase the System NOI by \$22,889,033 and Jurisdictional NOI by \$22,674,649

Current Month Amount:											
System Per Books	\$ 87,820,920	\$ 33,050,376	20,150,012	\$ 9,375,707	\$ 6,573,098	\$ 2,264,869	\$ 3,080,833	\$ (388,441)	\$ (3,672)	\$ 74,132,370	\$ 13,488,550
Jurisdictional Per Books	\$ 50,968,093	1,277,782	17,573,492	8,806,733	6,352,635	2,041,873	2,877,723	(361,682)	(3,393)	\$ 38,565,263	\$ 12,422,830

The amount of the 1996 revenue refund as per FPSC Order No. PSC-96-0670-S-EI was \$1,698,580 for December 1996.

The calculations on this schedule were made in direct response to and according to methodology prescribed in Order No. PSC-93-0165-FOF-EI by the Florida Public Service Commission staff and for that reason only. Tampa Electric Company takes the position that certain portions of these prescribed calculations may not present fairly the company's current financial status and that they should not be used for that purpose.

TAMPA ELECTRIC COMPANY
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS

SCHEDULE 4

DECEMBER 1996

AVERAGE	System Per Books	Retail Per Books	Adjustments		Adjusted Retail	Ratio (%)	Low Point		MidPoint		High Point	
			Specific	Pro Rata			Cost Rate (%)	Weighted Cost (%)	Cost Rate (%)	Weighted Cost (%)	Cost Rate (%)	Weighted Cost (%)
Long Term Debt	\$ 582,708,744	\$ 582,708,744	\$ (7,886,641)	\$ (95,979,404)	\$ 478,842,699	26.05 %	6.74	1.76	6.74	1.76	6.74	1.76
Short Term Debt	130,437,308	130,437,308	(380)	(21,779,362)	108,657,566	5.91	5.47	0.32	5.47	0.32	5.47	0.32
Preferred Stock	30,728,000	30,728,000	(416,176)	(5,061,237)	25,250,587	1.37	5.75	0.08	5.75	0.08	5.75	0.08
Customer Deposits	52,390,453	52,390,453	0	(8,747,758)	43,642,695	2.37	5.85	0.14	5.85	0.14	5.85	0.14
Common Equity	1,085,501,475	1,085,501,475	(4,308,847)	(180,529,621)	900,665,007	49.00	10.75	5.27	11.75	5.76	12.75	6.25
Deferred Income Taxes	279,332,463	279,332,463	1,830,118	(46,946,380)	234,216,201	12.78	-	-	-	-	-	-
Deferred Tax - FAS 109	0	0	0	0	0	0.00	-	-	-	-	-	-
Tax Credits - Zero Cost	38,290	38,290	0	(6,393)	31,897	0.00	-	-	-	-	-	-
Tax Credits - Weighted Cost	56,126,574	56,126,574	(13,922)	(9,369,262)	46,743,390	2.54	9.29	0.24	9.93	0.25	10.57	0.27
Total	\$ 2,217,263,307	\$ 2,217,263,307	\$ (10,793,846)	\$ (368,419,417)	\$ 1,838,050,042	100.00 %		7.81		8.31		8.82

YEAR END	System Per Books	Retail Per Books	Adjustments		Adjusted Retail	Ratio (%)	Low Point		MidPoint		High Point	
			Specific	Pro Rata			Cost Rate (%)	Weighted Cost (%)	Cost Rate (%)	Weighted Cost (%)	Cost Rate (%)	Weighted Cost (%)
Long Term Debt	\$ 644,718,678	\$ 644,718,678	\$ (8,272,963)	\$ (45,434,930)	\$ 591,010,785	27.95 %	7.06	1.97	7.06	1.97	7.06	1.97
Short Term Debt	97,027,052	97,027,052	(274)	(6,926,600)	90,100,178	4.26	5.47	0.23	5.47	0.23	5.47	0.23
Preferred Stock	19,960,000	19,960,000	(255,226)	(1,406,695)	18,298,079	0.87	4.41	0.04	4.41	0.04	4.41	0.04
Customer Deposits	52,866,432	52,866,432	0	(3,774,057)	49,092,375	2.32	5.85	0.14	5.85	0.14	5.85	0.14
Common Equity	1,127,178,586	1,127,178,586	(4,081,581)	(80,176,255)	1,042,920,750	49.32	10.75	5.30	11.75	5.80	12.75	6.29
Deferred Income Taxes	292,353,146	292,353,146	1,829,712	(21,001,285)	273,181,573	12.92	-	-	-	-	-	-
Deferred Tax - FAS 109	0	0	0	0	0	0.00	-	-	-	-	-	-
Tax Credits - Zero Cost	0	0	0	0	0	0.00	-	-	-	-	-	-
Tax Credits - Weighted Cost	53,836,711	53,836,711	(13,340)	(3,842,372)	49,980,999	2.36	9.37	0.22	10.00	0.24	10.63	0.25
Total	\$ 2,287,940,605	\$ 2,287,940,605	\$ (10,793,672)	\$ (162,562,194)	\$ 2,114,584,739	100.00 %		7.90		8.42		8.92

The calculations on this schedule were made in direct response to and according to methodology prescribed in Order No. PSC-93-0185-FOF-EI by the Florida Public Service Commission staff and for that reason only. Tampa Electric Company takes the position that certain portions of these prescribed calculations may not present fairly the company's current financial status and that they should not be used for that purpose.

State of Florida

Commissioners:
JULIA L. JOHNSON, CHAIRMAN
SUSAN F. CLARK
J. TERRY DEASON
JOE GARCIA
DIANE K. KIESLING



DIVISION OF RECORDS &
REPORTING
BLANCA S. BAYÓ
DIRECTOR
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Public Service Commission

June 16, 1997

Ms. Angela Llewellyn
Tampa Electric Company
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Tampa, Florida 33601-0111

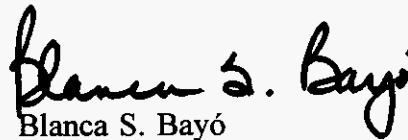
Re: Docket No. 950379-EI -- Tampa Electric Company
Surveillance Audit Report - Period Ended December 31, 1996
Audit Control # 97-056-2-1

Dear Ms. Llewellyn:

The enclosed audit report is forwarded for your review. Any company response filed with this office within ten (10) work days of the above date will be forwarded for consideration by the staff analyst in the preparation of a recommendation for this case.

Thank you for your cooperation.

Sincerely,


Blanca S. Bayó

BSB/DNV/cls

Enclosure

cc: Public Counsel
Ausley Law Firm