State of Florida

Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: AUGUST 19, 1999

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYÓ)

FROM: DIVISION OF AUDITING AND FINANCIAL ANALYSIS (MERTA, L. ROMIG, P. LEE, D. DRAPER, IYAMU)
DIVISION OF ELECTRIC AND GAS (GING)
DIVISION OF LEGAL SERVICES (ELIAS)

RE: DOCKET NO. 950379-EI - DETERMINATION OF REGULATED EARNINGS OF TAMPA ELECTRIC COMPANY PURSUANT TO STIPULATIONS FOR CALENDAR YEARS 1995 THROUGH 1999.

AGENDA: 08/31/99 - REGULAR AGENDA - PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\AFA\WP\950379.RCM
R:\PSC\AFA\123\TECO97.WK4-ATTACHMENTS A-D

CASE BACKGROUND

On March 1, 1996, Tampa Electric Company (TECO or the Company) submitted its 1996 Forecasted Earnings Surveillance Report in compliance with Rule 25-6.1353, Florida Administrative Code. According to that report, TECO forecasted an achieved return on equity (ROE) of 13.27% which exceeded its then currently authorized ROE ceiling of 12.75%. Due to the high level of TECO's forecasted earnings, meetings were held to explore the possible disposition of the excess earnings. TECO, the Office of Public Counsel (OPC), the Florida Industrial Power Users Group (FIPUG), and the Staff participated in the meetings.

On March 25, 1996, TECO, OPC, and FIPUG filed a joint motion for approval of a stipulation that resolved the issues regarding TECO's overearnings and the disposition of those overearnings for

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the period 1995 through 1998. This stipulation was approved by Order No. PSC-96-0670-S-EI, issued May 20, 1996. The stipulation, agreed to by TECO, OPC and FIPUG:

1) freezes existing base rate levels through December 31, 1998;

2) refunds $25 million plus interest over a one year period commencing on October 1, 1996;

3) defers 60% of the net revenues that contribute to a return on equity (ROE) in excess of 11.75% for 1996;

4) defers 60% of the net revenues that contribute to an ROE in excess of 11.75% up to a net ROE of 12.75% for 1997;

5) defers 60% of the net revenues that contribute to an ROE in excess of 11.75% up to a net ROE of 12.75% for 1998;

6) refunds any net revenues contributing to a net ROE in excess of 12.75% for 1998 plus any remaining deferred revenues from 1996 and 1997;

7) allows TECO the discretion to reverse and add to its 1997 or 1998 revenues all or any portion of the balance of the previously deferred revenues;

8) prohibits TECO from using the various cost recovery clauses to recover capital items that would normally be recovered through base rates; and

9) requires consideration of the regulatory treatment of the Polk Power Station separately.

Order No. PSC-96-1300-S-EI issued October 24, 1996, in Docket No. 960409-EI (Prudence review to determine the regulatory treatment of TECO's Polk Unit) approved a stipulation entered into by TECO, OPC and FIPUG. The stipulation resolved the issues in the Polk Unit docket, agreed to a rate settlement covering TECO's base rates and rate of return for the period January 1, 1999 through December 31, 1999, and modified the Stipulation approved in Order PSC-96-0670-S-EI. It resulted in an additional one year extension of the rate freeze established by the first stipulation and a guaranteed additional $25 million refund starting in October, 1997.

The stipulation:

1) extends the existing freeze on TECO's base rates from January 1, 1999, through December 31, 1999;

2) precludes TECO from filing a rate increase request prior to July 1, 1999, and precludes TECO from requesting an interim increase in any such docket which is filed prior to January 1, 2000;

3) provides for an additional $25 million refund over fifteen months beginning about October 1, 1997 and credited to customer's bill based on actual KWH usage adjusted for line losses;

4) allows TECO to defer into 1999 any portion of its 1998 revenues not subject to refund;

5) provides for the refund in the year 2000 of 60% of any revenues which contribute to a ROE in excess of 12% up to a net ROE of 12.75% for calendar year 1999;

6) provides for the refund in the year 2000 of 100% of any revenues which contribute to a ROE in excess of 12.75% for calendar year 1999;

7) resolves all of the issues in Docket 960409-EI by conferring a finding of prudence on the commencement and continued construction of the Polk Unit by TECO;

8) allows TECO to include the actual final capital cost of the Polk Unit in rate base for all regulatory purposes, up to an amount equal to one percent above the capital cost estimate of $506,165,000 plus related estimated working capital of $13,029,000;

9) allows TECO to include the full operating expense of the Polk Unit in the calculation of net operating income for all regulatory purposes (estimated to be $20,582,000 net of DOE funding for the first 12 months);

10) places the entire investment in the Port Manatee site and any future gain on sale of this site to an independent third party below the line;

11) continues to use the separation procedure adopted in the company's last rate case to separate any current and future wholesale sales from the retail jurisdiction; and

12) provides that any further Commission action relative to this stipulation will be considered in Docket No. 950379-EI.

The parties filed an amendment to the stipulation which allows the Commission to determine the appropriate separation treatment of any off-system sale that is priced based on the Polk Unit's incremental fuel cost. This amendment addressed concerns regarding the potential subsidization of wholesale sales by the retail ratepayers.

By Order No. PSC-97-0436-FOF-EI, issued April 17, 1997, the Commission determined that $50,517,063, plus interest should be deferred from 1995. Of the $50,517,063, $10 million has already been refunded to the customers. By Order No. PSC-99-0683-FOF-EI, issued April 7, 1999, the Commission determined that, after refunding $15 million, $22,081,064 plus interest remained to be deferred from 1996. At December 31, 1996, there was approximately $67.3 million, including interest, to be deferred into 1997 and/or 1998 earnings.

This recommendation addresses 1997's earnings. Specifically, the issues in this recommendation discuss asset transfers between affiliates, the Company's equity ratio, TECO's investment in a 25% interest in a transmission line, industry association dues, advertising, allocation to subsidiaries and the Electric Technology Resource Center. Each of these issues not only affects earnings for 1997, but also has an impact for 1998 and beyond.

DISCUSSION OF ISSUES

ISSUE 1: What is the appropriate rate base for 1997?

RECOMMENDATION: The appropriate rate base is $2,084,268,120. (ATTACHMENT A) (LEE, MERTA)

STAFF ANALYSIS: Based on the adjustment discussed below, the appropriate rate base is $2,084,268,120 for 1997.

Adjustment 1: **Asset Transfers Between Affiliates** - Audit Disclosure No. 5 indicates that six pick-up trucks were sold from Peoples Gas System (PGS) to Tampa Electric Company (TECO) and four LPG Fueler Tanker Trucks were sold from TECO to Peoples Gas Company, a nonregulated affiliate of PGS, during 1997. The sale from PGS to TECO was recorded at net book value (investment less reserve) while the sale from TECO to Peoples Gas Company was recorded at fair market value.

In establishing fair market value, TECO's Procurement Department conducted cost comparisons with vehicles which had been sold (to third parties), in a similar time frame, by Peoples Gas Company. These vehicles all exhibited mileage in excess of 100,000 miles and ages ranging from 11 years to 16 years. The four LPG tanker trucks transferred to Peoples Gas Company all had less than 100,000 miles and ages of 15 years to 16 years. The market value TECO assessed for these trucks is $27,500.

There are currently no Commission rules regarding affiliate transactions for electric companies. However, staff believes that assets sold or transferred from a regulated company to nonregulated operations should be valued at the greater of net book value or market value. Fairness dictates that the ratepayer of the regulated company be held harmless from the effects of affiliate transactions.

The sale of assets at market value, where market value is less than net book value, effectively creates a negative component in the reserve of the regulated company that relates to plant no longer in service. Recovery of the negative reserve component will be borne by the regulated ratepayer over the remaining life of the associated account from which the assets were sold.

In determining the net book value of the assets being sold, TECO used a retrospective theoretical reserve calculation. TECO states that this approach was used because the associated ages of the vehicles were determinable from plant records but the associated remaining lives were uncertain.

The audit disclosure points out that the depreciation rate TECO used to calculate the retrospective reserve was 5.3%; the depreciation rate used by PGS was 9.5%. The depreciation rate used by TECO represents the whole life rate which underlies its currently approved remaining life depreciation rate of 4.1%. The depreciation rate used by PGS represents its currently approved remaining life rate.

According to the NARUC *Public Utility Depreciation Practices*, published in 1996, the retrospective method for calculating a theoretical reserve is generally used when the reserve is needed for an individual item or group of items within an account and the remaining life, which is needed for the prospective method, cannot be reasonably determined. Under this method, an estimate of the total past net depreciation accruals (annual depreciation accruals less net salvage) is made assuming the current depreciation rate has always been in effect. Therefore, in using the retrospective theoretical reserve calculation, staff believes TECO should have used its currently prescribed depreciation rate for heavy trucks of 4.1%. The reserve associated with the heavy trucks would have been $148,824 with a net book value of $88,469.

In this instance, assets were sold from a regulated company to an unregulated affiliate at market value which was less than the associated net book value. Staff believes the sale from TECO to Peoples Gas Company should have been made at net book value. To recognize this, staff recommends that the average reserve balance be increased by $33,025 with a corresponding increase to Accounts Receivable of $5,081. The adjustment to Accounts Receivable assumes the receivable is cleared within one month. The resulting average rate base effect is a decrease of $27,944.

ISSUE 2: What is the appropriate capital structure for purposes of measuring earnings for 1997?

RECOMMENDATION: For the purpose of measuring earnings under the stipulation, the appropriate capital structure for 1997 is shown on ATTACHMENT B. (DRAPER)

STAFF ANALYSIS: Staff began its analysis with the 13-month average capital structure from the company's Earnings Surveillance Report (ESR) for the period ending December 31, 1997. Consistent with the Commission's decision in Order No. PSC-98-0802-FOF-EI, a specific adjustment was made to cap the equity ratio at the actual level achieved in 1995 of 58.7%.

Staff then made an adjustment to the balance of deferred revenues to reverse the pro rata reduction the company made to this account. The offsetting adjustment was made pro rata over investor sources of capital and customer deposits. The cost rate on the balance of deferred revenues is based on the average 30-day commercial paper rate as per Rule 25-6.109, Florida Administrative Code. The average 30-day commercial paper rate for 1997 was 5.60%. The treatment of deferred revenues as a separate line item in the capital structure is consistent with the Commission's decision in Order No. PSC-99-0683-FOF-EI.

The adjustment to reverse the company's pro rata reduction to the balance of deferred revenues is consistent with the treatment for 1995 and 1996 in Order Nos. PSC-97-0436-FOF-EI and PSC-98-0802-FOF-EI, respectively. However, in 1995 and 1996, the offsetting pro rata adjustments were made over all sources of capital to be consistent with how the company filed its ESR. After reviewing Order No. PSC-93-0165-FOF-EI issued February 2, 1993, following TECO's last rate case, staff determined that the reconciling adjustment in the company's ESR was not consistent with the treatment in the last rate case. To be consistent with how the pro rata adjustment was made in the last rate case, staff recommends the pro rata adjustment be made over investor sources of capital and customer deposits.

The company calculated the cost rate for short-term debt as 5.59% by using the actual interest expense and the average daily balance for short-term debt. This average daily balance is calculated by totaling the balance of outstanding short-term debt for each day and then dividing by the number of days in the year. Staff calculated a cost rate of 5.47% for short-term debt by using the actual interest expense and the 13-month average balance for short-term debt. Staff believes that 5.47% is the appropriate cost rate to use for short-term debt for the following two reasons. First, using the 13-month average balance allows the recovery of

only the actual interest expense incurred. Second, this method is consistent with the 13-month average balances reported in the capital structure and rate base. Unless this adjustment is made, applying the cost rate calculated by the company to the 13-month average balance of short-term debt would result in an over-recovery of interest expense by the company in 1997.

Finally, as discussed in issue 1, staff made an adjustment of $27,944 to rate base. For reasons discussed earlier in this issue, staff made this pro rata adjustment over investor sources of capital and customer deposits.

ATTACHMENT B details the appropriate capital structure for purposes of measuring 1997 earnings under the stipulations.

ISSUE 3: What is the appropriate net operating income for 1997?

RECOMMENDATION: The appropriate net operating income is $183,117,806 for 1997. (ATTACHMENT A) (MERTA, L. ROMIG, IYAMU, GING)

STAFF ANALYSIS: Based on the adjustments discussed below, the appropriate net operating income is $183,117,806 for 1997.

Adjustment 2: **Revenues** - Audit Disclosure No. 3 indicated that the debit balance of Account 418, Earnings Associated Company - PE&C, was included in operating revenues on the 1997 Earnings Surveillance Report (ESR). The Company determined that this was a nonutility item that should not be reflected in the operating income calculation and that it will be excluded from future ESRs. Therefore, revenues should be increased by $24,075.

Adjustment 3: **Orlando Utility Commission's (OUC) Transmission Line** - The recommended adjustment is being made consistent with the Commission decision in Order No. PSC-97-0436-FOF-EI (TECO's 1995 Earnings Docket), and Order No. PSC-98-0802-FOF-EI (TECO's 1996 Earnings Docket). TECO owns a 25% share in OUC's 230 KV line connecting the Lake Agnes substation to the Cane Island generating station. By Order No. PSC-97-0436-FOF-EI, the Commission directed that TECO's entire investment in the transmission line be removed from the calculation of 1995 earnings and allocated to the wholesale jurisdiction because the line was purchased "primarily to ensure the ability to make wholesale sales to entities such as the Reedy Creek Improvement District." The Commission stated:

> The utility has failed to demonstrate the benefits to retail ratepayers that would justify the allocation of any portion of the transmission line to the retail jurisdiction. Based on the information available at this time, we find that the entire investment shall be assigned to the wholesale jurisdiction.

The Company removed plant-in-service, accumulated amortization, net acquisition adjustment and amortization expense related to the OUC transmission line from the 1997 ESR. However, it failed to remove 1996 operation & maintenance (O&M) expense booked in January 1997 and 1997 Taxes Other. Therefore, Staff recommends that O&M and Taxes Other be reduced by $14,521 and $50,393 respectively. There were no O&M costs associated with the OUC transmission line for 1997.

Adjustment 4: **Industry Association Dues** - Based on Audit Disclosure No. 1, Staff recommends that expenses be reduced by $5,564 for Employers Health Coalition, $1,000 for Points of Light Foundation, and $22,500 for Electric Cooking Council dues. In Staff's opinion, the dues of these associations do not relate to the provision of electricity and provide no benefit to ratepayers; therefore, the costs should not be borne by ratepayers. Order No. PSC-93-0165-FOF-EI, (TECO's 1992 rate case), issued February 2, 1993, disallowed similar costs.

In addition, dues of $280 for East Polk County Committee of 100, $850 for Tampa Downtown Partnership, and $164 for Westshore Alliance should also be disallowed. It should be noted that 90% of these dues were allowed as economic development expenses and this adjustment removes the 10% disallowed under Rule 25-6.0426, Florida Administrative Code, Recovery of Economic Development Expenses. This rule was amended in 1998 to allow recovery of 95% of a company's economic development expense.

Staff recommends that expenses be reduced by a total of $30,358 for industry association dues.

Adjustment 5: **Advertising** - Based on Audit Disclosure No. 4 and consistent with Order No. PSC-94-0170-FOF-EI (Florida Public Utilities Company Marianna Division 1993 rate case), issued February 10, 1994, Staff recommends that image building, promotional advertising be removed because such expenses provide no benefit to ratepayers. Therefore, expenses should be reduced by $9,005. The Company agrees with a portion of the recommended disallowance.

Adjustment 6: **Electric Technology Resource Center (ETRC)** - According to TECO, the primary objectives of the ETRC are: (1) to conduct demonstrations and evaluations which optimize the operation of customer facilities, particularly small businesses, through the safe, efficient and economical use of energy, (2) to assist in economic development activities which promote or retain the use of utility services by present and prospective customers, and (3) to facilitate and promote energy efficiency, conservation and environmentally beneficial solutions. Following is a description of the center, summarized from Company documents and the ETRC website.

The ETRC, located on the campus of the University of South Florida, conducts seminars and displays products which have been developed by some of its approximately 170 "partners" to introduce the customer to products designed to provide efficiency and cost

savings. The partners provide their products and displays at no cost to ETRC. ETRC, in turn, provides demonstrations at no cost to customers; some seminars are offered for a fee. The center is geared toward small business and industrial customers and consists of three major sections: lighting, advanced technology, and food service.

The Lighting Display Center allows clients to specify, compare and evaluate lighting for a facility. Services offered include color analysis booths, office lighting alternatives, nondirect lighting for video display terminals and new lighting technologies. The Lighting Display Center includes two color analysis booths which enable visitors to "view a combination of fluorescent light settings, the most common light source in commercial use." Customers viewing the booths "are encouraged to bring samples of wallpaper, floor coverings or fabrics to evaluate the different lighting effects."

In the Advanced Technology Center, customers can test and evaluate the most efficient commercial and industrial electric product choices for their business. Technologies on display include the geothermal heat pump, infrared paint dryers, desiccant dehumidification, medical waste disposal systems, variable speed motors and induction heating units.

The Foodservice Center includes a fully equipped commercial kitchen with advanced cooking, dishwashing and refrigeration equipment. The kitchen is used for training, demonstrations and seminars on behalf of foodservice manufacturers, dealers and customers. Both electric and gas technologies are available in order to measure their impact on energy usage, efficiency and productivity.

The ETRC includes an auditorium and classroom that can be used for seminars, lectures, classes, teleconferencing and large-scale demonstrations. The ETRC also offers computer training and professional development. The Computer Training Center can be rented to companies for software and Internet training. Company trainers can instruct the classes, or the ETRC can customize training for unique business needs.

The ETRC provides services which include: (1) technology demonstration services allowing clients to investigate electric technologies before making a substantial dollar investment, (2) product testing, (3) verification of manufacturers specs and performance promises, and (4) assistance in matching products and new technologies to meet the customer's standards.

TECO also provides financing through its Power Choice Financing Program which allows 100 percent financing of a project cost. The ETRC partnered with NationsCredit to offer the financing program.

A Staff Auditor toured the ETRC. In Staff's opinion, costs associated with the ETRC do not benefit the general body of ratepayers, are not necessary for providing utility service and should be reported below-the-line. Staff recommends that expenses be reduced by $597,564; $618,908 net of revenues of $21,344. Total expenses of $618,908 include $158,939 in rent, $434,077 in O&M charges, and $25,892 in advertising expense. The activities of the center are geared toward commercial and industrial customers and are not designed to benefit or provide cost savings to the general body of ratepayers. As disclosed by the Staff Auditor, the majority of seminars presented at the center are non-utility related. Some of the non-electric seminars offered were Food Manager Certification and Training Workshop, Home Page Design Workshop, Medical Waste Disposal Systems, Landscape Lighting Design, and seminars on the products of other companies. Staff does not believe the center would attract new industry to Florida or Tampa Electric's service territory since the same electric technology displayed by the ETRC is available nationwide. In addition, the center duplicates services that could be received by the commercial and industrial customers directly from the partners of the ETRC. It appears to Staff that the partners and the center are merely interested in promoting their electric technologies, not in bringing new industry to the TECO service area. Further, the center promotes the use of electric technologies and is thereby load building in nature.

In response to the staff audit, the Company stated that the same types of costs were included as selling expenses and customer assistance expenses in the last rate case. According to TECO, the activities conducted at the ETRC are efforts that the Company has performed in the past such as lighting audits, retrofit recommendations and energy related training, informing customers about energy efficient technologies, and hosting organizations, groups or trade shows in an effort to promote new business. Staff agrees that some expenses associated with similar activities may have been included in the 1992 rate case. However, these costs were not specifically identified at the time of the 1992 rate case.

The Company stated that non-utility seminars are not the dominant activity at the ETRC and that seminar fees are collected to offset costs incurred. However, the revenues of the center do not nearly offset the expenses. As stated above, revenues were

$21,344 and expenses $618,908 for 1997. Audit Staff determined that 61.3% of the seminars offered in 1997 did not appear to be related to TECO's business.

The Company stated that there is neither internal nor external duplication of effort with the ETRC. Internally, experts on food service and indoor lighting were transferred from previous locations within TECO to the ETRC facility. Externally, visits by small commercial customers to vendor sites to view and test technologies are not always possible because of these customers' limited resources. Staff believes that the general body of ratepayers should not subsidize commercial customers' shopping expeditions.

Further, the Company stated that the Commission has historically encouraged utilities to form partnerships with its customers to promote energy efficient solutions and offer programs which foster economic development. According to TECO, the ETRC is a response to this encouragement. In Staff's opinion, the center promotes the use of electricity; it does not benefit the general body of ratepayers; is not necessary for providing electric service, i.e., does not relate to cost of service; would not attract new business to the service area and duplicates services available from its partners. Its programs appear to be more load building than conservation oriented.

Finally, Staff requested a breakdown of ETRC expenses between conservation and economic development. TECO was unable to provide a breakdown of the expenses by category.

In Staff's opinion the Electric Technology Resource Center may have some positive benefits for some of TECO's customers. However, Staff questions whether Tampa Electric Company should fund and promote such activities. Therefore, Staff recommends that $597,564 (expenses net of revenues) be disallowed.

Adjustment 7: Allocation to Subsidiaries - Audit Disclosure No. 7 indicated that seven subsidiaries were not allocated costs by TECO Energy. In staff's opinion, Bosek, Gibson and Associates and TeCom should receive an allocation of expenses. The Company stated that TECO Energy did not allocate to these companies due to the developmental nature of these businesses in 1997; however, it believes that an allocation for these entities is reasonable. Staff recommends that expenses be reduced by $42,795.

Staff did not conduct a thorough review of the appropriate methodology for allocating expenses by TECO Energy to its

subsidiaries. The Company uses one composite factor to allocate all expenses among the subsidiaries; more factors based on cost causation may be appropriate. Although 1997 earnings were calculated using the one factor method, Staff may in the future review the cost allocation methodology to determine if it is reasonable.

Adjustment 8: **Interest Reconciliation -** This adjustment is based on the reconciliation of the rate base and the capital structure due to the Staff adjustments to rate base. In this instance, income taxes should be reduced by $431,217. (ATTACHMENT C)

Adjustment 9: **Tax Effect of Other Adjustments -** The tax effect of Staff's adjustments to NOI results in a $134,686 decrease to income taxes.

ISSUE 4: What is the maximum amount of deferred revenues that can be reversed into 1997's earnings?

RECOMMENDATION: The maximum amount of deferred revenues that can be reversed into 1997's earnings is $26,378,169. (ATTACHMENT D) (MERTA, L. ROMIG)

STAFF ANALYSIS: According to its December 1997 ESR, TECO reported that it had reversed $30.45 million in revenues, and earned 12.78% after the reversal. Per the Stipulations, the maximum the Company is allowed to earn is 12.75%. Based on Staff's adjustments in this recommendation, the maximum amount of deferred revenues that can be reversed into 1997's earnings is $26,378,169. Therefore, at least $4,071,831 should be returned to deferred revenues.

ISSUE 5: Should this docket be closed?

RECOMMENDATION: No. This docket should remain open pending the review of TECO's 1998 and 1999 earnings and the determination of the appropriate amount of any additional deferred revenues related to 1998 and 1999. (ELIAS)

STAFF ANALYSIS: This docket was opened to review TECO's earnings for both 1995 and 1996. However, Order No. PSC-96-0670-S-EI (TECO's 1995 earnings review), and Order No. PSC-96-1300-S-EI (Prudence review to determine the regulatory treatment of TECO's Polk Unit), approve stipulations that provide that any further Commission action relative to the stipulations be considered in Docket No. 950379-EI. Therefore, this docket should remain open pending the review of TECO's earnings for 1998 and 1999.

ATTACHMENT A

TAMPA ELECTRIC COMPANY
DOCKET NO. 950379-EI
REVIEW OF 1997

	As Filed FPSC Adjusted Basis	Asset Transfers	Revenues	OUC Transmission Line	Industry Assoc. Dues	Advertisin	Electric Technology Resource	Allocation Subsidiari	Interest Reconcilia	Total Adjustment	Total Adjusted Rate Base
RATE BASE											
Plant in Service	$3,238,103,4									$0	$3,238,103,482
Accumulated Depreciation	(1,241,041,8	(33,025)								(33,025)	(1,241,074,900)
Net Plant in Service	1,997,061,60	(33,025)	0	0	0	0	0	0	0	(33,025)	1,997,028,582
Property Held for Future Use	30,784,082									0	30,784,082
Construction Work in Progress	5,671,652									0	5,671,652
Net Utility Plant	2,033,517,34	(33,025)	0	0	0	0	0	0	0	(33,025)	2,033,484,316
Working Capital	50,778,723	5,081								5,081	50,783,804
Total Rate Base	$2,084,296,0	($27,944)	$0	$0	$0	$0	$0	$0	$0	($27,944)	$2,084,268,120
INCOME STATEMENT											
Operating Revenues	$655,360,652		$24,075							$24,075	$655,384,727
Operating Expenses:											
Operation & Maintenance - Fuel	13,629,445									0	13,629,445
Operation & Maintenance - Other	210,390,448			(14,521)	(30,358)	(9,005)	(597,564)	(42,795)		(694,243)	209,696,205
Depreciation & Amortization	130,297,907									0	130,297,907
Taxes Other Than Income	42,588,449			(50,393)						(50,393)	42,538,056
Income Taxes - Current	60,115,055	0	9,287	25,041	11,711	3,474	230,510	16,508	(431,217)	(134,686)	59,980,369
Deferred Income Taxes (Net)	20,293,746									0	20,293,746
Investment Tax Credit (Net)	(4,129,593)									0	(4,129,593)
(Gain)/Loss on Disposition	(39,214)									0	(39,214)
Total Operating Expenses	473,146,243	0	9,287	(39,873)	(18,647)	(5,531)	(367,054)	(26,287)	(431,217)	(879,322)	472,266,921
Net Operating Income	$182,214,409	$0	$14,788	$39,873	$18,647	$5,531	$367,054	$26,287	$431,217	$903,397	$183,117,806
OVERALL RATE OF RETURN	8.74%									0.04%	8.79%
RETURN ON EQUITY	12.78%									0.22%	13.00%

ATTACHMENT B

DOCKET NO. 950379-EI
TAMPA ELECTRIC COMPANY
STAFF ADJUSTED EARNINGS SURVEILLANCE REPORT
YEAR ENDING DECEMBER 31, 1997

AVERAGE TEST YEAR

		ADJUSTMENTS									
	RETAIL PER BOOKS	COMPANY SPECIFIC	COMPANY PRO RATA	COMPANY ADJUSTED	DEFERRED REVENUE ADJUSTMENT	EQUITY ADJUSTMENT	STAFF PRO RATA	STAFF ADJUSTED	WEIGHT	COST RATE	WEIGHTED COST
LONG TERM DEBT	$645,349,616	($7,386,865)	($67,877,846)	$570,084,905	($2,065,395)	$15,139,700	($9,513)	$583,149,697	27.98%	6.73%	1.88%
SHORT TERM DEBT	107,241,809	(599)	(11,410,231)	95,830,979	(347,192)		(1,558)	$95,482,230	4.58%	5.47%	0.25%
PREFERRED STOCK	10,747,692	(123,790)	(1,130,360)	9,493,542	(34,395)		(154)	$9,458,993	0.45%	5.48%	0.03%
CUSTOMER DEPOSITS	52,804,651		(5,618,300)	47,186,351	(170,954)		(767)	$47,014,630	2.26%	6.10%	0.14%
COMMON EQUITY	1,116,943,168	(1,656,674)	(118,664,051)	996,622,443	(3,610,723)	(15,139,700)	(15,952)	$977,856,068	46.92%	12.75%	5.98%
DEFERRED REVENUE	58,541,220		(6,228,658)	52,312,562	6,228,658			$58,541,220	2.81%	5.60%	0.16%
DEFERRED TAXES	296,692,731	1,781,272	(31,756,983)	266,717,020				$266,717,020	12.80%	0.00%	0.00%
FAS 109 DEFERRED TAXES	0		0	0				$0	0.00%	0.00%	0.00%
TAX CREDITS - ZERO COST	0		0	0				$0	0.00%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	51,543,811	(12,758)	(5,482,792)	46,048,261				$46,048,261	2.21%	10.47%	0.23%
	$2,339,864,698	($7,399,414)	($248,169,221)	$2,084,296,063	$0	$0	($27,944)	$2,084,268,119	100%		8.67%
			EQUITY RATIO	59.61%				58.70%			

ATTACHMENT C

TAMPA ELECTRIC COMPANY
DOCKET NO. 950379-EI
REVIEW OF 1997 EARNINGS

INTEREST RECONCILIATION

	Amount	Cost Rate	Interest Exp.	Tax Rate	Effect on Income Tax
Long Term Debt	$583,149,697	6.73%	$39,245,975		
Short Term Debt	95,482,230	5.47%	5,222,878		
Customer Deposits	47,014,630	6.10%	2,867,892		
Deferred Revenue	58,541,220	5.60%	3,278,308		
Tax Credits - Weighted Cost	46,048,261	2.50%	1,151,207		
Interest Expense			51,766,260		
Adj. Company Interest Expense			50,648,394		
Adjustment			($1,117,866)	38.575%	($431,217)

ATTACHMENT D

TAMPA ELECTRIC COMPANY
DOCKET NO. 950379-EI
REVIEW OF 1997 EARNINGS

Adjusted Rate Base			$2,084,268,120
Adjusted Achieved Rate of Return	8.79%		
Allowed Maximum Rate of Return at 12.75% ROE	8.67%		
Excess Rate of Return		x	0.12%
Excess Net Operating Income			2,501,122
Revenue Expansion Factor		x	1.62800
Revenues in Excess of 12.75% ROE			$4,071,831
Company Reversal			$30,450,000
Less: Revenues in Excess of 12.75% ROE			(4,071,831)
Staff Allowed Maximum Revenue Reversal			$26,378,169