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September 8, 2003

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. 030002-EG

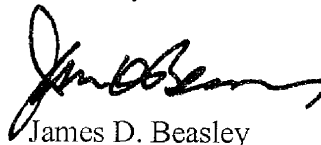
Dear Ms. Bayo:

Enclosed for filing in the above docket are the original and seven copies of Tampa Electric Company's response to the Florida Public Service Commission's Conservation Audit for the Twelve Months Ended December 31, 2002, Control No. 03-042-2-1.

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

JDB/pp
Enclosures

DOCUMENT NUMBER-DATE
08434 SEP-88
FPSC-COMMISSION CLERK

Subject: Advertising Expenses - Sponsorship Agreement

2. Statement of Fact: In January 2001 TECO Energy, Inc. entered into an agreement with Tampa Bay Arena, L.P. for promotional services with the Tampa Bay Lightning, a hockey team, and the Ice Palace, now called The St. Pete Times Forum. The term of this agreement began January 26, 2001 and ends January 26, 2006. The Master Agreement outlined the services to be provided by Tampa Bay Arena.

The sponsorship package includes radio and TV commercial time, signage in the arena, print and web site advertisement. Also included are non ECCR related items such as: sponsor mention on television and public address announcements for Lightning games, VIP tickets and parking at home games, receptions, giveaways for hockey and other arena events, player appearances and community affairs. The sponsorship was packaged at a discount from individually priced services.

The cost for these services was \$361,400 for the year 2002, which was split evenly between TECO Energy, Tampa Electric Company and Peoples Gas System at \$120,467 each. Tampa Electric's share was charged to the Energy Conservation Cost Recovery Clause (ECCR). Based on the Ice Palace price list the total retail value of the sponsorship package was \$602,525.

Opinion: It is the auditors opinion that only a proportionate amount of the cost applicable to the ECCR items should be recovered through the clause. An analysis of the services to be provided under the agreement determined that approximately 50 percent of the services are ECCR related and 50 percent should be considered non ECCR expenses.

Total cost for 2002	\$361,400
50% ECCR	180,700
Tampa Electric share	90,350
Tampa Electric paid	120,467
Difference	(\$30,117)

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Tampa Electric's opinion is that if Tampa Electric received at least retail value for its advertising dollars it should recovery the total cost through the ECCR clause. In 2002 Tampa Electric received \$150,217 of retail value advertising for its \$120,467 share of total costs.

Recommendation: Information is provided to staff for determination of ECCR allocations. No adjustment was made to the ECCR filing, in the audit, for advertising expense.

- A. In January 2001 TECO Energy, Inc. entered into an advertising agreement with Tampa Bay Arena, L.P. ("Arena") to provide promotional services for three distinct companies, namely TECO Energy, Inc., Tampa Electric Company and Peoples Gas System. The agreement clearly stated the Tampa Electric component was strictly for conservation advertising.

Tampa Electric's total cost of the agreement with Arena was appropriately charged to ECCR because the value provided to Tampa Electric within the scope of the agreement included only advertising media which met the criteria set forth in Rule 25-17.015 (5), F.A.C., for energy conservation programs (see attached Exhibit E from the Master Agreement for Services, Tampa Electric Company Allocation, Media for Energy Conservation Programs). This exhibit describes the type and frequency of the advertising media provided through the agreement for Tampa Electric to promote its conservation programs. Through its agreement with Arena, Tampa Electric has and continues to provide ECCR advertising at a rate substantially lower than marketplace retail rates. At the time the agreement was signed in January 2001, marketplace rate card value for the media provided to Tampa Electric was evaluated to be in the range of \$150,000 while Tampa Electric paid only \$116,000. In 2003, the marketplace rate card value is evaluated to be in excess of \$200,000 and the company will pay \$125,000. Finally, the agreement and exhibit clearly dismiss the notion that non-ECCR items were associated with the advertising provided for Tampa Electric since any itemization of non-ECCR items was not a component of the contract or value received by Tampa Electric.

The price list document referred to by the auditor totaling \$602,525 was an internal worksheet used by Arena to encourage TECO Energy, Inc. to participate with Arena. That same worksheet reinforces the actual market

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rate associated with conservation related advertising in 2002. Therefore, both the agreement with Arena and the internal worksheet confirm the fact that Tampa Electric paid substantially less than marketplace rates for that advertising. Tampa Electric wishes to reinforce again that the cost incurred by the company was in fact a real, hard, tangible cost and consisted of only appropriate conservation advertising expenses.

It is of further importance to state that none of the specific program media and material has been deemed non-compliant. Tampa Electric has worked diligently to insure the advertising it has used to promote its approved conservation programs meets the ECCR criteria for compliance.

Simply put, Tampa Electric paid a lower than marketplace retail rate for advertising that met the criteria for compliance of Rule 25-17.015 (5), F.A.C. Because Tampa Electric has paid for actual advertising services rendered by Arena that were compliant with the F.A.C. rule, the company respectfully requests recovery of the actual dollars spent.

EXHIBIT E
TAMPA ELECTRIC COMPANY ALLOCATION
Media for Energy Conservation Programs

*The following media elements will be evenly divided (.50 share) amongst Peoples Gas and Tampa Electric

1. MEDIA

	<u>Team</u>	<u>#of Spots</u>	<u>Length</u>	<u>Air Dates</u>
<u>Lightning TV</u>				
TV In-Game	TBL	1	:30	70
<u>Lightning Radio</u>				
Radio Game	TBL	3	:30	82
Radio In-game feature	TBL	1	:15	82
Radio Pre-game interview	TBL	1	TBD	1
Radio Opening, Closing, Floating Billboards	TBL	1	:05	82
	<u>Team</u>	<u>#of Spots</u>	<u>Length</u>	<u>Air Dates</u>
<u>Storm TV</u>				
TV In-Game	TBS	2	:30	5
TV Opening, Closing, Floating Billboards	TBS	1	:05	5
TV In-game feature	TBS	1	:15	5
<u>Storm Radio</u>				
Radio Game	TBS	3	:30	16
Radio In-game feature	TBS	1	:15	16
Radio Pre-Game interview	TBS	1	TBD	1
Radio Opening, Closing, Floating Billboards	TBS	1	:05	16

Radio WDAE:

- 123 (:30) @ \$350 = \$43,050
- 41 (:15) audio feature @ \$87.50= \$7,175
- 41 (:05) TBL open/close billboard

TV Sunshine II Network:

- 35 (:30) TBL @\$500 = \$17,500

- 8 (:15) audio features @ 109.50 = \$547.50
- 1 pre-game interview = \$4,800
- 24 (:30) Storm @ \$112.50 = \$5,400

TV Sunshine Network:

- 5 (:30) Storm @ \$219= \$2,190
- 8 (:15) Storm audio feature @ \$34.50 = \$517.50
- :05 Storm open/close

Print Program Advertising

- Tampa Bay Lightning
183,000 circulation= \$8333
- Tampa Bay Storm
44,000 circulation= \$2833

Web Banner Links

- Tampa Bay Lightning= \$10,500
- Tampa Bay Storm= \$5,800

Rotational Fascia \$43,333

Total Conservation
Media \$151,979