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: September 14, 2017

TO: Carlotta S. Stauffer, Commission Clerk, Office of Commission Clerk

FROM: Jenny X. Wu, Economic Analyst, Division of Economics

RE: Docket No. 20170182-EI Petition for approval of depreciation rates for various accounts, by Tampa Electric Company.

Please place the Tampa Electric Company's letter dated 8/25/17 with attached revised response to staff's first data request" into the above mentioned docket. Thank you.

AUSLEY MCMULLEN

ATTORNEYS AND COUNSELORS AT LAW

123 SOUTH CALHOUN STREET
P.O. BOX 391 (ZIP 32302)
TALLAHASSEE, FLORIDA 32301
(850) 224-9115 FAX (850) 222-7560

August 25, 2017

VIA: ELECTRONIC FILING

Ms. Carlotta S. Stauffer
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Tampa Electric Company Undocketed 2016 Depreciation Annual Status Report

Dear Ms. Stauffer:

On July 12, 2017 Tampa Electric submitted in the above undocketed matter its responses to Staff's 1st Data Request No. 1. We submit herewith for filing a revised version of the company's response to Request No. 1 (page 1 of 6 through 6 of 6) marked "REVISED: AUGUST 25, 2017", which we ask that you substitute in place of the original response.

The revised response is to correct errors that were discovered through research after the original filing, and to further clarify the original response by providing additional historical details for the asset accounts that did not have approved Commission depreciation rates in the 2011 Tampa Electric Depreciation Study.

Thank you for your assistance in connection with this matter.

Sincerely,

James D. Beasley

JDB/pp
Attachment

1. Please refer to Schedule B-7 of Tampa Electric Company's (TECO) 2016 Annual Depreciation Status Report (ADSR) and Order No. PSC-12-0175-PAA-EI,[1] Attachment A, for the following questions:

   a. In its 2016 ADSR, page 4, line 25, TECO used a depreciation rate of 4.0 percent for Account 34644 - Misc. Power Plant Equipment of Big Bend Combustion Turbine 4; while in the aforementioned Commission order the approved depreciation rate for Account 34644 is zero. Please specify the Commission order by which a depreciation rate of 4.0 percent was prescribed for this account.

   b. In its 2016 ADSR, page 6, line 7, TECO used a depreciation rate of 3.9 percent for Account 34684 - Misc. Power Plant Equipment of Polk Unit 4; while in the aforementioned Commission order the approved depreciation rate for Account 34684 is zero. Please specify the Commission order by which a depreciation rate of 3.9 percent was prescribed for this account.

   c. In its 2016 ADSR, page 6, line 15, TECO used a depreciation rate of 3.9 percent for Account 34685 - Misc. Power Plant Equipment of Polk Unit 5; while in the aforementioned Commission order the approved depreciation rate for Account 34685 is zero. Please specify the Commission order by which a depreciation rate of 3.9 percent was prescribed for this account.

   d. In its 2016 ADSR, page 7, line 15, TECO used a depreciation rate of 4.0 percent for Account 34633 - Misc. Power Plant Equipment of Bayside Combustion Turbine 3; while in the aforementioned Commission order the approved depreciation rate for Account 34633 is zero. Please specify the Commission order by which a depreciation rate of 4.0 percent was prescribed for this account.

   e. In its 2016 ADSR, page 7, line 24, TECO used a depreciation rate of 4.0 percent for Account 34634 - Misc. Power Plant Equipment of Bayside Combustion Turbine 4; while in the aforementioned Commission order the approved depreciation rate for Account 34634 is zero. Please specify the Commission order by which a depreciation rate of 4.0 percent was prescribed for this account.

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[1] Order No. PSC-12-0175-PAA-EI, issued April 3, 2012, In re: Petition for approval of 2011 depreciation study and annual dismantlement accrual amount by Tampa Electric Company, pages 19-22.

f. In its 2016 ADSR, page 7, line 33, TECO used a depreciation rate of 4.0 percent for Account 34635 -Misc. Power Plant Equipment of Bayside Combustion Turbine 5; while in the aforementioned Commission order the approved depreciation rate for Account 34635 is zero. Please specify the Commission order by which a depreciation rate of 4.0 percent was prescribed for this account.

g. In its 2016 ADSR, page 8, line 7, TECO used a depreciation rate of 4.0 percent for Account 34636 - Misc. Power Plant Equipment of Bayside Combustion Turbine 6; while in the aforementioned Commission order the approved depreciation rate for Account 34636 is zero. Please specify the Commission order by which a depreciation rate of 4.0 percent was prescribed for this account.

h. Referring to page 10 of Schedule B-7, please specify the Commission Order by which the depreciation rates TECO used for asset retirement obligation Accounts 31700, 34700, 37400, and 39910 were prescribed, respectively.

A. There is no Commission Order that approves the depreciation rates that Tampa Electric applied to the assets in accounts 346.44, 346.84, 346.85, 346.33, 346.34, 346.35, and 346.36 ("346 Accounts") that are referenced in the responses to Request Nos. 1.a. through 1.g. below. In 2011, the Tampa Electric Annual Status Report ("ASR") improperly reported a depreciation rate of 4.3% for accounts 346.44, 346.33, 346.34, and 346.36 when a depreciation rate of 4.0% was actually applied. The ASR filings in 2014 through 2016 improperly reported depreciation rates for the 346 Accounts when 0.0% was approved.

Tampa Electric normally reviews changes in plans or utility experience that may require a revision of rates, amortization, or capital recovery schedules once every four years in compliance with Rule 25-6.0436. At the conclusion of the 2011 Tampa Electric Depreciation Study ("2011 Depreciation Study"), Public Service Commission Order No. PSC-12-0175-PAA-EI ("Order") reflects the latest approved revision of rates, amortization, recovery schedules and dismantlement accruals. Attachment A of the Order reflects that Tampa Electric requested a starter rate of 4.3% for accounts 346.84 and 346.85, and a starter rate of 0.0% for accounts 346.44, 346.33, 346.34, 346.35, and 346.36. The final approved depreciation rates in the Order is 0.0% for the 346 Accounts. At the time these assets were placed-in-service, it was Tampa Electric's practice to apply an approved starter rate for depreciation. During implementation of the approved rates from the 2011 Depreciation Study, the 346 Accounts were updated to match the approved depreciation rates for Account 345-Accessory Electric Equipment. Since the time of the 2011 Depreciation Study, assets were added to the 346 Accounts with the approved corresponding 345 account depreciation rate inadvertently applied, rather than an approved starter rate as Tampa Electric intended to do.

Commission Rule 25-6.0436(2)(a) states that "no utility shall change any existing depreciation rate or initiate any new depreciation rate without prior Commission approval." Tampa Electric understands that the depreciation rates that have been reported and applied to the 346 Accounts are not Commission approved rates. Tampa Electric plans to file and seek approval for interim depreciation rates in August, 2017 for the 346 Accounts, since Tampa Electric is in between depreciation study filings. The range of the other 346 accounts that Tampa Electric currently has depreciation rates approved for in the 2011 Depreciation Study is between 2.4% and 3.5%, excluding Tools in accounts 346.37 and 346.87 as outliers. During the next depreciation study, the 346 Accounts will be properly examined and rated accordingly and Tampa Electric plans to revise the interim depreciation rates approved this year at that time. Tampa Electric is excused from compliance with the filing requirement of Rule 25-6.0436 until no more than one year nor less than 60 days before the filing of its next general rate proceeding in accordance with the Public Service Commission Order No. PSC-13-0443-FOF-EI dated September 30, 2013, in Docket No. 130040-EI.

a. The Big Bend Combustion Turbine No. 4 was placed-in-service in August, 2009. A starter depreciation rate of 4.3% was setup for accounts 341.44, 342.44, 343.44, and 345.44. In Attachment A of the Order to the 2011 Depreciation Study, new depreciation rates were set for accounts 341.44, 342.44, 343.44, and 345.44. At that time, there were no forecasted assets in account 346.44, therefore a 0.0% rate was approved. Since the time of the 2011 Depreciation Study, assets have been added to account 346.44. Since 2011, Tampa Electric has been improperly utilizing the approved rate of 4.0%, under account 345.44-Accessory Electric Equipment, as the depreciation rate for the assets in account 346.44.

b. The Polk Unit No. 4 was placed-in-service in March, 2007. A starter depreciation rate of 4.3% was setup for accounts 341.84, 342.84, 343.84, 345.84, and 346.84. In Attachment A of the Order to the 2011 Depreciation

Study, new depreciation rates were set for accounts 341.84, 342.84, 343.84, and 345.84. At that time, there were no forecasted assets in account 346.84, therefore a 0.0% rate was approved. Since the time of the 2011 Depreciation Study, assets have been added to account 346.84. Since 2014, Tampa Electric has been improperly utilizing the approved rate of 3.9%, under account 345.84-Accessory Electric Equipment, as the depreciation rate for the assets in account 346.84.

c. The Polk Unit No. 5 was placed-in-service in April, 2007. A starter depreciation rate of 4.3% was setup for accounts 341.85, 342.85, 343.85, 345.85, and 346.85. In Attachment A of the Order to the 2011 Depreciation Study, new depreciation rates were set for accounts 341.85, 342.85, 343.85, and 345.85. At that time, there were no forecasted assets in account 346.85, therefore a 0.0% rate was approved. Since the time of the 2011 Depreciation Study, assets have been added to account 346.85. Since 2014, Tampa Electric has been improperly utilizing the approved rate of 3.9%, under account 345.85-Accessory Electric Equipment, as the depreciation rate for the assets in account 346.85.

d. The Bayside Combustion Turbine No. 3 was placed-in-service in July, 2009. A starter depreciation rate of 4.3% was setup for accounts 341.33, 342.33, 343.33, and 345.33. In Attachment A of the Order to the 2011 Depreciation Study, new depreciation rates were set for accounts 341.33, 342.33, 343.33, and 345.33. At that time, there were no forecasted assets in account 346.33, therefore a 0.0% rate was approved. Since the time of the 2011 Depreciation Study, assets have been added to account 346.33. Since 2011, Tampa Electric has been improperly utilizing the approved rate of 4.0%, under account 345.33-Accessory Electric Equipment, as the depreciation rate for the assets in account 346.33.

e. The Bayside Combustion Turbine No. 4 was placed-in-service in July, 2009. A starter depreciation rate of 4.3% was setup for accounts 341.34, 342.34, 343.34, and 345.34. In Attachment A of the Order to the 2011 Depreciation Study, new depreciation rates were set for accounts 341.34, 342.34, 343.34, and 345.34. At that time, there were no forecasted assets in account 346.34, therefore a 0.0% rate was approved. Since the time of the 2011 Depreciation Study, assets have been added to account 346.34. Since 2011, Tampa Electric has been improperly utilizing the approved rate of 4.0%, under account 345.34-Accessory Electric Equipment, as the depreciation rate for the assets in account 346.34.

f. The Bayside Combustion Turbine No. 5 was placed-in-service in April, 2009. A starter depreciation rate of 4.3% was setup for accounts 341.35, 342.35, 343.35, and 345.35. In Attachment A of the Order to the 2011 Depreciation Study, new depreciation rates were set for accounts 341.35, 342.35, 343.35, and 345.35. At that time, there were no forecasted assets in account 346.35, therefore a 0.0% rate was approved. Since the time of the 2011 Depreciation Study, no assets have been added to account 346.35. Since 2014, Tampa Electric has been improperly reporting the approved rate of 4.0%, under account 345.35-Accessory Electric Equipment, as the depreciation rate in the ASR for account 346.35.

g. The Bayside Combustion Turbine No. 6 was placed-in-service in April, 2009. A starter depreciation rate of 4.3% was setup for accounts 341.36, 342.36, 343.36, and 345.36. In Attachment A of the Order to the 2011 Depreciation Study, new depreciation rates were set for accounts 341.36, 342.36, 343.36, and 345.36. At that time, there were no forecasted assets in account 346.36, therefore a 0.0% rate was approved. Since the time of the 2011 Depreciation Study, assets have been added to account 346.36. Since 2011, Tampa Electric has been improperly utilizing the approved rate of 4.0%, under account 345.36-Accessory Electric Equipment, as the depreciation rate for the assets in account 346.36.

h. There is no Commission Order for the establishment of ARO accounts. Per the Code of Federal Regulation Title 18 – Conservation of Power and Water Resources, Chapter 1 Subchapter C – Accounts, Federal Power Act, Part 101 Uniform System of Accounts General Instructions:
25. Accounting for asset retirement obligations:
   A. "An asset retirement cost represents the amount capitalized when the liability is recognized for the long-lived asset that gives rise to the legal obligation. The amount recognized for the liability and an associated asset retirement cost shall be stated at the fair value of the asset retirement obligation in the period in which the obligation is incurred."
   B. "The utility shall initially record a liability for an asset retirement obligation in account 230, asset retirement obligations, and charge the associated asset retirement costs to electric utility plant

(including accounts 101.1 and 120.6), and nonutility plant that gives rise to the legal obligation. The asset retirement cost shall be depreciated over the useful life of the related asset that gives rise to the obligations."

Each asset retirement cost is depreciated using a straight-line method over the life of the liability. Prior to 2014, Tampa Electric recorded asset retirement costs in account 30302. In 2014, there was a FERC audit finding requiring Tampa Electric to classify asset retirement costs in the corresponding plant account by functional class. In 2014, Tampa Electric transferred the asset retirement costs from account 30302 to the appropriate ARO account based on the functional class. The 2014 FERC audit findings are attached.

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

In Reply Refer To:
Office of Enforcement
Docket No. FA13-6-000
March 25, 2014

Tampa Electric Company
Attention: David A. Crabtree
Director, Federal Regulatory Affairs
702 N. Franklin Street
Tampa, FL 33602

Dear Mr. Crabtree:

1. The Division of Audits and Accounting within the Office of Enforcement (OE) has completed an audit of Tampa Electric Company (Tampa Electric). The audit examined Tampa Electric's compliance with FERC financial accounting and reporting requirements under 18 C.F.R. §§ 141, 141.1 and 141.400 (2013) and FERC's record retention requirements under 18 C.F.R. § 125 (2013). The audit covered the period from January 1, 2010 through December 31, 2012. The enclosed audit report explains our audit findings and recommendations.

2. On March 7, 2013, Tampa Electric notified the Division of Audits and Accounting that Tampa Electric accepts, and will not contest, the findings and recommendations of the draft report. A copy of your response is included as an appendix to this report. I hereby approve the audit findings and recommended corrective actions.

3. Within 30 days of this letter order, Tampa Electric should submit a plan to comply with the corrective actions. The Company should make quarterly submissions describing how and when it plans to comply with corrective actions, including dates it has completed each corrective action. The submissions should be made no later than 30 days after the end of each calendar quarter, beginning with the first quarter after this audit report is issued, and continuing until all corrective actions are completed.

4. The Commission delegated authority to act on this matter to the Director of OE under 18 C.F.R. § 375.311 (2013). This letter order constitutes final agency action. You may file a request for rehearing with the Commission within 30 days of the date of this order under 18 C.F.R. § 385.713 (2013).

5. This letter order is without prejudice to the Commission's right to require hereafter any adjustments it may consider proper from additional information that may come to its attention. In addition, any instance of noncompliance not addressed herein or that may occur in the future may also be subject to investigation and appropriate remedies.

6. I appreciate the courtesies extended to the auditors. If you have any questions, please contact Mr. Bryan K. Craig, Director and Chief Accountant, Division of Audits and Accounting at (202) 502-8741.

Sincerely,

Norman C. Bay
Director
Office of Enforcement

Enclosure

Federal Energy Regulatory Commission

Audit of Tampa Electric Company's Compliance with:

- The Uniform System of Accounts for Public Utilities;
- FERC Form Nos. 1 and 3-Q, reporting requirements; and
- Preservation of Records of Public Utilities and Licensees Requirements.

Docket No. FA13-6-000
March 25, 2014

Office of Enforcement
Division of Audits and Accounting

Table of Contents

I. Executive Summary

A. Overview

The Division of Audits and Accounting (DAA) within the Office of Enforcement has completed an audit of Tampa Electric Company (Tampa Electric or the Company). The audit evaluated Tampa Electric's compliance with: (1) Uniform System of Accounts (USofA) for public utilities under 18 C.F.R. pt. 101 (2013); (2) FERC Form No. 1, annual report requirements of major electric utilities under 18 C.F.R. § 141.1 (2013); (3) FERC Form No. 3-Q, quarterly financial report of electric utilities under 18 C.F.R. § 141.400 (2013); and (4) preservation of records of public utilities and licensees requirements under 18 C.F.R. pt. 125 (2013). The audit covered the period from January 1, 2010 to December 31, 2012.

B. Tampa Electric Company

Tampa Electric, incorporated in 1899 and reincorporated in 1949, is a wholly owned subsidiary of TECO Energy, Inc. (TECO), and is comprised of the Electric division, generally referred to as Tampa Electric, and the Natural Gas division, Peoples Gas System. Tampa Electric is a public utility operating solely within the state of Florida. Its Tampa Electric division is engaged in the generation, purchase, transmission, distribution, and sale of electric energy. The retail territory served comprises an area of about 2,000 square miles in West Central Florida. In addition, Tampa Electric engages in wholesale sales to utilities and other resellers of electricity. It has three electric generating stations in or near Tampa, one electric generating station in southwestern Polk County, Florida, and one electric generating station in long-term reserve standby located near Sebring, a city in south central Florida. Wholesale sales of electricity accounted for less than one percent of Tampa Electric's total electricity sales in 2012.

C. Summary of Compliance Findings

Audit staff's compliance findings are summarized below. Details are in section IV of this report. Audit staff identified the following areas of noncompliance:

- Tampa Electric improperly recorded fees related to lines of credit and letters of credit in the administrative and general expense account rather than in an interest expense account as required by the Commission's requirements.

- Tampa Electric used the wrong utility plant account to record its asset retirement obligations. Also, the Company only used balance sheet accounts to record depreciation and accretion expense, instead of using balance sheet and income statement accounts to record such activity

- Tampa Electric's FERC Form No. 1 filings contained several reporting issues related to its reporting on page 429, Transactions with Associated (Affiliated) Companies.

- Tampa Electric's 2012 FERC Form No. 1 did not contain sufficient detail as required by the instructions to page 233, Miscellaneous Deferred Debits.

D. Summary of Recommendations

Audit staff's recommendations to remedy the findings are summarized below. To address the areas of noncompliance, audit staff recommends Tampa Electric:

1. Revise procedures to ensure that it records fees related to lines of credit and letters of credit to Account 431.
2. Refile corrected financial statements for its 2010-2012 FERC Form No. 1s, reflecting proper accounting for below-the-line expenses.
3. Determine the effect of the misclassification of the line of credit and letter of credit fees on its transmission formula rates. Submit to DAA no later than 60 days of the issuance of a final audit report in this docket.
4. Prepare and file a refund analysis with the Commission within 60 days of the issuance of a final audit report in this docket. Compute interest on the adjustments under 18 C.F.R. §35.19a.
5. Record asset retirement obligation activity in the appropriate accounts in accordance with Commission requirements.
6. Strengthen its policies and procedures to ensure it accurately, completely, and consistently prepares the schedule on page 429 of the FERC Form No. 1 according to schedule instructions.
7. Resubmit its 2012 FERC Form No. 1 to correct the issues on page 429.
8. Strengthen its policies and procedures to ensure it accurately, completely, and consistently prepares the schedule on page 233 of the FERC Form No. 1 according to schedule instructions.
9. Resubmit its 2012 FERC Form No. 1 to include the detailed account activity on page 233.

E. Compliance and Implementation of Recommendations

Audit staff further recommends that Tampa Electric:

- Submit plans for implementing audit staff' s recommendations for audit staff's review. Tampa Electric should submit these plans to audit staff within 30 days after this final audit report is issued.

- Submit all correcting entries affecting Tampa Electric's books and records to DAA within 30 days after this final audit report is issued.

- Submit quarterly reports to the DAA describing Tampa Electric's progress in implementing each corrective action recommended in this final audit report. Tampa Electric should make these nonpublic quarterly submissions no later than 30 days after the end of each calendar quarter, beginning with the first quarter after this final audit report, and continuing until Tampa Electric completes all recommended corrective action.

- Submit copies of written policies and procedures developed in response to audit recommendations. These should be submitted for audit staff's review in the first nonpublic quarterly filing after Tampa Electric completes them.

II. Background Information

A. Transmission Formula Rate

Tampa Electric recovers its transmission related revenue requirement under Attachment H of its Open Access Transmission Tariff (OATT), which was implemented on September 14, 2010. The formula rate is a cost of service rate designed to recover Tampa's costs associated with its network integration transmission service, point-to-point transmission service, and ancillary service under OATT Schedule 1 (Scheduling, System Control and Dispatch Service) as well as a return on Tampa Electric's transmission assets.[1]

Tampa Electric's transmission formula rate under Attachment H is based on prior year's FERC Form No. 1 13-month ending balances, company records, and projected capital additions.[2] The formula rate contains protocols providing for annual updates to the rate to be filed with the Commission. As part of the annual update procedures, rates that were charged in the preceding calendar year that were based on projections of costs are trued-up to rates recalculated to reflect the actual costs, with possible consequent refunds. The Company completes its formula rate annual update by June 1 of each year. Wholesale sales of electricity accounted for less than one percent of Tampa Electric's total electricity sales in 2012.

B. Wholesale Requirements Formula Rate

Tampa Electric recovers its production-related revenue requirement under its Wholesale Requirements Tariff, which was implemented on March 1, 2011. The formula rate is a cost-of-service formula rate that is designed to recover Tampa Electric's production-related revenue requirement for wholesale requirements service.

Tampa Electric's formula rate under the Wholesale Requirements Tariff is based on year end balances from the prior year's FERC Form No. 1, company records, and capital additions weighted based on the completion dates. The formula rate contains protocols providing for annual updates to the rate to be filed with the Commission. As part of the annual update procedures, rates that were charged in the preceding calendar year that were based on projections of costs are trued-up to rates recalculated to reflect the actual costs, with possible consequent refunds.

[1] *Tampa Electric Company*, 141 FERC ¶ 61,015 (2012).
[2] *Tampa Electric Company*, 140 FERC ¶ 61,046 (2012).

Only one customer took service under Tampa Electric's WR Tariff in 2012, and that service ceased at the end of that year. This service was at a cost based rate. Wholesale sales of electricity accounted for less than one percent of Tampa Electric's total electricity sales in 2012. There were no service agreements under the WR Tariff for wholesale requirements service in 2013.

III. Introduction

A. Objectives

The audit's objectives were to evaluate Tampa Electric's compliance with: (1) Uniform System of Accounts for public utilities under 18 C.F.R. pt. 101 (2013); (2) FERC Form No. 1, annual report requirements of major electric utilities under 18 C.F.R. § 141.1 (2013); (3) FERC Form No. 3-Q, quarterly financial report of electric utilities under 18 C.F.R. § 141.400 (2013); and (4) preservation of records of public utilities and licensees requirements under 18 C.F.R. pt. 125 (2013). The audit covered the period from January 1, 2010 to December 31, 2012.

B. Scope and Methodology

To address overall audit objectives, audit staff:

- Reviewed publicly available materials to understand Tampa Electric operations, including filings with the U.S. Securities and Exchange Commission (Forms 10-K and 10-Q), FERC Form Nos. 1 & 3-Q filings, prior audit reports, and other filings with the Commission.

- Reviewed materials on the Tampa Electric web site and other key industry and news sources.

- Identified standards and criteria to use in evaluating compliance with FERC rules, regulations, and other requirements. Sources included Commission orders and regulations and Company policies and procedures relevant to audit objectives.

- Conferred with other Commission staff to ensure audit findings would be consistent with Commission precedent and policy. For example, audit staff spoke with staff from other divisions of the Office of Enforcement and other Commission offices, including the Office of Energy Market Regulation and Office of General Counsel.

- Conducted two site visits to Tampa Electric's offices in Tampa, FL. The visit enabled audit staff to understand Tampa Electric's structure, activities, functions, systems, and the processes used in its operations. While on site, audit staff interviewed employees and managers responsible for performing tasks within the audit scope, and sampled and tested documents to ensure compliance with Commission orders relating to accounting, financial reporting, and records retention.

- Conducted interviews and teleconferences with Tampa Electric's accounting staff, compliance personnel, subject-matter experts, and senior managers to support audit staff's evaluation of compliance with Commission rules, regulations, and other requirements.

- Issued data requests to gather information on Tampa Electric's policies and procedures, accounting practices, financial reporting, and records retention. Audit staff used these data requests as a primary means of testing and evaluating compliance with Commission requirements relevant to audit objectives.

- Performed testing and analysis to review TECO's regulatory compliance program in the audit scope areas.

Audit staff performed several specific actions to evaluate compliance with all relevant requirements relating to audit objectives. A summary of these actions includes:

Accounting regulations in the USofA

To evaluate Tampa Electric's compliance with Commission accounting regulations in the Uniform System of Accounts (USofA), audit staff:

- Reviewed and evaluated Tampa Electric's accounting processes, procedures, and internal controls to ensure compliance with the USofA;

- Reviewed the Company's chart of accounts used to comply with the USofA;

- Interviewed accounting staff to understand the Company's financial accounting systems in place, including system controls used to ensure transactions complied with the USofA;

- Reviewed Tampa Electric's FERC Form Nos. 1 and 3-Q reports to ensure that the required information was reliable, and items were properly recorded and reported;

- Verified select electronically filed information on the FERC Form No. 1 with supporting books and records to ensure that the required information was reported accurately and consistently;

- Analyzed electronic data from Tampa Electric's books and records to ensure the Company's accounting followed the USofA;
- Tested select accounts based on audit staff's analysis and obtained supporting documentation to ensure that the items met the USofA requirements;
- Identified and reviewed recent accounting guidance letters and evaluated Tampa Electric's accounting processes and procedures for complying with such guidance;
- Reviewed Tampa Electric's formula rate filings to understand the impact of any accounting misclassifications and reporting issues;
- Reviewed initial and all subsequent Commission orders accepting the formula rate, including orders approving related settlements and Tampa Electric filings. Determined the level of functionalization, derivation of allocation factors, return on equity, rate base, accumulated depreciation, and other expenses. Reviewed background information about specific cost treatment, deferrals, cost caps, disallowances, and other matters disclosed as part of approving its formula rate;
- Reviewed processes, procedures, and controls used to prepare and review the formula rate and annual updates, true-ups, or informational filings associated with the formula rate;
- Reviewed formula rate mechanics including a comprehensive overview of the formula rate mechanism the Company provided; and
- Reconciled formula rate inputs derived from the FERC Form No. 1 to Tampa Electric books and records. Evaluated compliance with the USofA for the inputs under review, including all related guidance and accounting releases and accounting treatment of input items.

FERC Form Nos. 1 and 3-Q reporting requirements

To evaluate Tampa Electric's compliance with Commission financial reporting requirements, audit staff:

- Reviewed the FERC Form Nos. 1 and 3-Q reports to evaluate whether Tampa Electric properly complied with the instructions;
- Verified that amounts reported as prior period data in the financial statements matched the corresponding previous year's financial statements;

- Performed variance analyses for accounts reported in the FERC Form Nos. 1 and 3-Q to identify and follow up on certain accounts with large balances and significant fluctuations;

- Compared select reported information against other public reports;

- Reviewed and tested select charges and accounts for proper classification and reporting in the FERC Form Nos. 1 and 3-Q;

- Obtained an electronic copy of the books, records, and monthly financial statements supporting the FERC Form Nos. 1 and 3-Q;

- Verified select reported balances to Tampa Electric's supporting books, records, and supporting documents; and

- Identified and reviewed potential audit issues in the Notes to Financial Statements, including discussions on accounting for pension liabilities, regulatory assets, regulatory liabilities, and other financial matters.

Preservation of Records

To evaluate Tampa Electric's compliance with Commission record retention requirements, audit staff:

- Determined how the Company maintains its records retention program.

- Reviewed all processes and procedures used to comply with the Commission's record retention regulations.

- Obtained a list of any internal reviews, audits, investigations, etc., to evaluate the adequacy, completeness, or effectiveness of Tampa Electric's record retention policies and procedures.

- Obtained an index of all records that the Company retains, including how long it retains the records, type of media, and the physical location of the records.

- Evaluated all quality controls in place to ensure compliance with the Commission's record retention regulations.

- Determined the process that the Company uses in retrieving specific records.

Compliance Program Review

Besides the above, audit staff reviewed TECO's regulatory compliance program in the audit scope areas for consistency with the Commission's Penalty Guidelines.[3] Specifically, audit staff:

- Reviewed the structure and staffing of the regulatory compliance program, including its authority and responsibilities for overseeing corporate compliance and the delegation of responsibilities.

- Reviewed the Internal Audit department's structure, including its chain-of-command and access to the Board of Directors and Audit Committee to assess its effectiveness and independence of the audit functions.

- Interviewed executives, managers, and operational employees to evaluate their knowledge and application of compliance program policies and procedures.

[3] *Revised Policy Statement on Penalty Guidelines*, 132 FERC ¶ 61,216 (2010).

IV. Findings and Recommendations

1. Accounting for Credit Facility and Letter of Credit Fees

Tampa Electric improperly recorded fees related to lines of credit and letters of credit in the administrative and general expense account rather than in an interest expense account in accordance with the Commission's requirements. This accounting misclassification resulted in the Company improperly collecting these fees from transmission customers.

Pertinent Guidance

18 C.F.R. pt. 101, Account 921, Office Supplies and Expenses, states in part:

A. This account shall include the cost of office supplies and expenses incurred in connection with the general administration of the utility's operations . . .

18 C.F.R. pt. 101, Account 930.2, Miscellaneous General Expenses, states in part:

This account shall include the cost of labor and expenses incurred in connection with the general management of the utility not provided for elsewhere …

18 C.F.R. pt. 101, Account 431, Other Interest Expense, states in part:

This account shall include all interest charges not provided for elsewhere.

The Commission addressed a similar issue in a proceeding involving System Energy Resources, Inc. (SERI).[4] In SERI, the Commission rejected SERI's accounting for letter of credit fees in Account 921, Office Supplies and Expenses. SERI alternately proposed the use of Account 930.2, Miscellaneous General Expenses. The Commission referenced the initial decision of the administrative law judge, who concluded that the fees functioned like interest and should be treated as such. The judge found that the letter of credit fees had other similarities to interest such as being paid periodically.[5] The Commission agreed with the judge, and decided that the fees were similar in nature to interest.

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[4] *System Energy Resources, Inc.*, Opinion No. 333, 48 FERC ¶61,321 (1989).
[5] *System Energy Resources, Inc.*, 45 FERC ¶63,001 (1988).

Background

During the audit period, the Company had a credit agreement governing lines of credit. Under this agreement, the Company paid fees to the lender for contracting to hold credit available, even when credit lines were not used. Tampa Electric has incurred commitment and utilization fees (collectively, line of credit fees) in association with the credit agreement. The total line of credit fees for the audit period were approximately $1 million.

The credit agreement also allowed for the issuance of letters of credit. Tampa Electric incurs letter of credit fees, which are necessary to keep the Company's letter of credit active and available for use as needed. The total letter of credit fees for the audit period were approximately $13,000.

For the period from January 2010 through September 2011, the Company paid and recorded fees charged for line of credit and letters of credit with debit entries to Account 921. In October 2011, after an internal review, the Company began charging the fees to Account No. 930.2, which the Company believed to be more consistent with Commission accounting regulations.

Tampa Electric views these fees as bank fees incurred as a requirement to keep its line of credit open and available for use by the Company. Tampa Electric does not consider these fees to be interest-related expenses, but considers them as charges incurred on its outstanding borrowings, as assessed by the applicable bank.

Audit staff believes the fees charged on line of credit and letters of credit have the same function and characteristics as interest, as they support underlying debt borrowings. Interest is not limited to the nominal rate specified on the debt instrument, but should reflect all other costs related to the debt.[6] Tampa Electric should record these fees in Account 431, Other Interest Expense.

Since Tampa Electric implemented a formula rate effective as of September 2010, audit staff believes Tampa Electric recovered these fees in its transmission formula rate.[7] These below-the-line expenses are not permitted for formula rate recovery. To the extent these costs were flowed through transmission formula rates, these amounts should be refunded, with interest, to ratepayers.

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[6] *System Energy Resources, Inc.*, Opinion No. 333, 48 FERC ¶ 61,321 (1989).

[7] *Tampa Electric Company*, 141 FERC ¶ 61,015 (2012).

Recommendations

We recommend Tampa Electric:

1. Revise procedures to ensure that it records fees related to lines of credit and letters of credit to Account 431.

2. Refile corrected financial statements for its 2010-2012 FERC Form No. 1s, reflecting proper accounting for below-the-line expenses.

3. Determine the effect of the misclassification of the line of credit and letter of credit fees on its transmission formula rates. Submit to DAA no later than 60 days of the issuance of a final audit report in this docket.

4. Prepare and file a refund analysis with the Commission within 60 days of the issuance of a final audit report in this docket. Compute interest on the adjustments under 18 C.F.R. §35.19a.

2. Accounting for Asset Retirement Obligations

Tampa Electric used the wrong utility plant account to record its asset retirement obligations. Also, the Company only used balance sheet accounts to record depreciation and accretion expense, instead of using balance sheet and income statement accounts to record such activity.

Pertinent Guidance

In Order No. 631, the Commission established uniform accounting and reporting for asset retirement obligations.[8] The order states:

> An important objective of the rule is to provide sound and uniform accounting and financial reporting... The new accounts and changes to the FERC Forms will add visibility, completeness and consistency of the accounting and reporting of liabilities for asset retirement obligations and the related asset retirement costs, the accretion expense on the liability and the depreciation expense on the capitalized asset retirement costs.

18 C.F.R. pt. 101, General Instruction 25, Accounting for Asset Retirement Obligations, states in part,

> B. The utility shall initially record a liability for an asset retirement obligation in account 230, Asset retirement obligations, and charge the associated asset retirement costs to electric utility plant (including accounts 101.1 and 120.6), and nonutility plant, as appropriate, related to the plant that gives rise to the legal obligation. The asset retirement cost shall be depreciated over the useful life of the related asset that gives rise to the obligations. For periods subsequent to the initial recording of the asset retirement obligation, a utility shall recognize the period to period changes of the asset retirement obligation that result from the passage of time due to the accretion of the liability and any subsequent measurement changes to the initial liability for the legal obligation recorded in account 230, Asset retirement obligations, as follows:
>
> (1) The utility shall record the accretion of the liability by debiting account 411.10, Accretion expense, for electric utility plant, account 413, Expenses of electric plant leased to others, for electric plant leased to others, and account 421, Miscellaneous nonoperating income, for nonutility plant and crediting account 230, Asset retirement obligations; and

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[8] *Accounting, Financial Reporting, and Rate Filing Requirements for Asset Retirement Obligations*, Order No. 631, 103 FERC ¶ 61,021 (2003).

(2) The utility shall recognize any subsequent measurement changes of the liability initially recorded in account 230, Asset retirement obligations, for each specific asset retirement obligation as an adjustment of that liability in account 230 with the corresponding adjustment to electric utility plant, electric plant leased to others, and nonutility plant, as appropriate. The utility shall on a timely basis monitor any measurement changes of the asset retirement obligations.

Background

Tampa Electric recorded liabilities to reflect various legal obligations associated with the retirement of long-lived assets. Initially, this obligation is measured at fair value and offset with a separate asset, which is depreciated over the asset's useful life. Until the obligation is settled, the liability is increased to reflect changes in the obligation, such as the passage of time, through the recognition of accretion expense.

General Instruction 25 of pt. 101 of the USofA defines an asset retirement obligation (ARO) as:

> A liability for the legal obligation associated with the retirement of a tangible long-lived asset that a company is required to settle as a result of an existing or enacted law, statute, ordinance, or written or oral contract or by legal construction of a contract under the doctrine of promissory estoppel.[9]

Tampa Electric initially recorded the ARO by debiting Account 303, Miscellaneous Intangible Plant, and crediting Account 230, Asset Retirement Obligation. These AROs were for obligations associated with ash ponds, asbestos, monitoring wells, and other operational matters. Tampa Electric used Account 303 in accordance with Florida Administrative Code Rule 25-14.014, Accounting for Asset Retirement Obligations Under SFAS 143, which required Tampa Electric to record the asset retirement cost in intangible plant.[10]

While Tampa Electric followed the Florida Administrative Code for ARO accounting, this guidance does not dictate how this transaction should be accounted for under the Commission's accounting regulations. Tampa Electric should record the Asset Retirement Costs in the appropriate functional accounts: Account 317, Asset Retirement Costs for Steam Production Plant; Account 347, Asset Retirement Costs for Other Production Plant; Account 359.1, Asset Retirement Costs for Transmission Plant;

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[9] 18 C.F.R. pt. 101, General Instruction 25.

[10] *Accounting for Asset Retirement Obligations under SFAS 143*, Rule 25-14.14 (Florida Administrative Code Aug. 26, 2003).

Account 374, Asset Retirement Costs for Distribution Plant; and Account 399.1, Asset Retirement Costs for General Plant.

To record the depreciation expense on the ARO assets, Tampa Electric debited Account 182.3, Other Regulatory Assets, and credited Account 108, Accumulated Provision for Depreciation of Electric Utility Plant. This depreciation is calculated on a straight line basis over a life dictated by the settlement date of the ARO liability. For accretion expense, Tampa Electric debited Account 182.3, and credited Account 230. The accretion expense recognizes the increase in the cost of removing an asset over its useful life. Tampa Electric recorded the above entries for depreciation and accretion expense to defer the total depreciation on ARO costs and accretion on ARO liabilities. Tampa Electric's accounting was not appropriate because it only used balance sheet accounts, instead of using balance sheet and income statement accounts.

To properly record the depreciation on the ARO assets, Tampa Electric should debit Account 403.1, Depreciation Expense for Asset Retirement Costs, and credit Account 108. For accretion expense, Tampa Electric should debit Account 411.10, Accretion Expense, and credit Account 230. To defer the total depreciation on ARO costs and accretion on ARO liabilities, Tampa Electric should debit Account 182.3, and credit Accounts 403.1 and 411.10, rather than record the deferral directly. Account 182.3 is appropriate for the deferral because the source of the regulatory asset can be specifically identified.

Also, audit staff reviewed Tampa Electric's formula rate to determine whether Tampa Electric included ARO activity. Tampa Electric appropriately removed all ARO activity from its formula rate calculation.

Recommendation

We recommend Tampa Electric:

5. Record ARO activity in the appropriate accounts in accordance with the Commission's accounting regulations.

3. Reporting of Transactions with Associated (Affiliated) Companies

Tampa Electric's FERC Form No. 1 filings contained several reporting issues related to its reporting on page 429, Transactions with Associated (Affiliated) Companies, resulting in a lack of transparency.

Pertinent Guidance

In Order No. 715, the Commission added a new schedule on page 429 of the FERC Form No. 1 to provide further transparency and to improve the detection of cross-subsidization.[11] The new schedule, "Transactions with Associated (Affiliated) Companies," provides information concerning affiliate transactions that includes: (1) a description of the good or service charged or credited; (2) the name of the associated (affiliated) company; (3) the account charged or credited; and (4) the amount charged or credited.

The instructions on the Transactions with Associated (Affiliated) Companies schedule of the FERC Form No. 1 state:

> 1. Report below the information called for concerning all non-power goods or services received from or provided to associated (affiliated) companies.
>
> 2. The reporting threshold for reporting purposes is $250,000. The threshold applies to the annual amount billed to the respondent or billed to an associated/affiliated company for non-power goods and services. The good or service must be specific in nature. Respondents should not attempt to include or aggregate amounts in a nonspecific category such as "general."
>
> 3. Where amounts billed to or received from the associated (affiliated) company are based on an allocation process, explain in a footnote.[12]

[11] *Revisions to Forms, Statements, and Reporting Requirements for Electric Utilities and Licensees*, Order No. 715, FERC Stats. & Regs. ¶ 31,277 (2008).

[12] FERC, *FERC Financial Report FERC Form No. 1: Annual Report of Major Electric Utilities, at 426, available at* www.ferc.gov/docs-filing/forms/form-1/form-1.pdf.

Background

Audit staff reviewed the 2010-2012 FERC Form No. 1 filings that Tampa Electric submitted. This review focused on page 429, Transactions with Associated (Affiliated) Companies. The instructions on page 429 required public utilities to disclose non-power goods and services provided to, or received from, affiliated companies during the calendar year, including descriptions of these goods or services, affiliate names, accounts used to record the transactions, and amounts charged. In evaluating compliance with these instructions, audit staff identified several reporting issues, which are summarized below.

During the audit period, under the categories "Non-Power Goods or Services Provided by Affiliated" and "Non-Power Goods or Services Provided for Affiliate" Tampa Electric simply listed Account 234, Accounts Payable to Associated Companies, and Account 146, Accounts Receivable from Associated Companies, respectively, in the column labeled "Account Charged or Credited."

The intent of this column is to provide users with transparent information on the revenues and expenses Tampa Electric and its affiliated companies. Therefore, the Company should use the specific revenue and expense accounts that were ultimately used by Tampa Electric in this column.

During the audit period, Tampa Electric combined all of the parent company allocations into a single line item that is labeled "Parent Company Allocation Services." Also, the Company combined all of the good or services provided by Peoples Gas, a division of Tampa Electric, into one line item called "Loans." The instructions to page 429 state that the good or service must be specific in nature. By combining the services into a single line, it appeared as though all charges were part of an allocation, although some were direct charges. The Company should break out this allocation number into the specific services provided to Tampa from the parent company, TECO. This can be done on the page itself, or in a footnote.

Recommendations

We recommend Tampa Electric:

6. Strengthen its policies and procedures to ensure it accurately, completely, and consistently prepares the schedule on page 429 of the FERC Form No. 1 according to schedule instructions.

7. Refile its 2012 FERC Form No. 1 to correct the issues on page 429.

4. Reporting of Miscellaneous Deferred Debits

Tampa Electric's 2012 FERC Form No. 1 did not contain sufficient detail as required by the instructions to page 233, Account 186, Miscellaneous Deferred Debits, resulting in a lack of transparency.

Pertinent Guidance

The instructions to page 233, Account 186, Miscellaneous Deferred Debits state:

1. Report below the particulars (details) called for concerning miscellaneous deferred debits.

2. For any deferred debit being amortized, show period of amortization in column (a)

3. Minor item (1% of the Balance at End of Year for Account 186 or amounts less than $100,000, whichever is less) may be grouped by classes.

Background

Audit staff reviewed the 2010-2012 FERC Form No. 1 filings that Tampa Electric submitted. This review focused on page 233, Account 186, Miscellaneous Deferred Debits. The instructions on page 233 required public utilities to report the details of their miscellaneous deferred debits. It further states that items that comprised less than 1 percent (or $100,000, whichever is less) may be grouped together. In evaluating compliance with these instructions, audit staff identified noncompliance with the instructions in 2012.

In the 2012 FERC Form No. 1 the Company simply listed all of its deferred debits under one line item entitled "186 Def Dr Other" with a final balance of more than $5 million. This level of detail was insufficient to comply with the instructions for the page. Upon further review, the Company identified several lines items that were greater than 1 percent of the total year balance in the account. Tampa Electric stated that it did not provide the same detail as in previous years because its new accounting system, implemented in mid-2012, did not break down the information in the same manner. The Company is still able to provide additional information from the system. Tampa Electric should provide detailed line items to ensure transparency and consistency year over year.

Recommendations

We recommend Tampa Electric:

8. Strengthen its policies and procedures to ensure it accurately, completely, and consistently prepares the schedule on page 233 of the FERC Form No. 1 according to schedule instructions.

9. Resubmit its 2012 FERC Form No. 1 to include the detailed account activity on page 233.

Appendix

TECO
TAMPA ELECTRIC

March 7, 2014

Bryan K. Craig
Director and Chief Accountant
Division of Audits and Accounting
Office of Enforcement
Federal Energy Regulatory Commission
888 First Street, NE
RM 5K-13
Washington, DC 20426

Re: Docket No. FA13-6-000

Dear Mr. Craig:

Tampa Electric Company ("Tampa Electric" or "the Company") has carefully reviewed Audit Staff's February 20, 2014, draft Audit Report in the above-referenced docket addressing Tampa Electric's compliance with: (1) Uniform System of Accounts for public utilities under 18 C.F.R. pt. 101 (2013); (2) FERC Form No. 1, annual report requirements of major electric utilities under 18 C.F.R. § 141.1 (2013); (3) FERC Form No. 3-Q, quarterly financial report of electric utilities under 18 C.F.R. § 141.400 (2013); and (4) preservation of records of public utilities and licensees requirements under 18 C.F.R. pt. 125 (2013).

The following details Tampa Electric's responses to each Recommendation contained in the draft Audit Report. Tampa Electric agrees with the Audit Report Findings and Recommendations and agrees to implement those Recommendations. Tampa Electric believes that the comments provided below are consistent with discussions we have had with Audit Staff. We are, of course, happy to discuss these further as well as provide any additional information that Audit Staff would find helpful.

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March 7, 2014

I. FINDING 1: ACCOUNTING FOR CREDIT FACILITY AND LETTER OF CREDIT FEES

Recommendation No. 1: Revise procedures to ensure that it records fees related to lines of credit and letters of credit to Account 431.

Recommendation No. 2: Refile corrected financial statements for its 2010-2012 FERC Form No. 1s, reflecting proper accounting for below-the-line expenses.

Recommendation No. 3: Determine the effect of the misclassification of the line of credit and letter of credit fees on its transmission formula rates. Submit to DAA no later than 60 days of the issuance of a final audit report in this docket.

Recommendation No. 4: Prepare and file a refund analysis with the Commission within 60 days of the issuance of a final audit report in this docket. Compute interest on the adjustments under 18 C.F.R. § 35.19a.

Tampa Electric Response:

With respect to Recommendation No. 1, Tampa Electric will revise its procedures to ensure that it records fees related to lines of credit and letters of credit to Account 431. Tampa Electric currently expects to complete the implementation of this Recommendation on or before June 30, 2014.

With respect to Recommendation No. 2, Tampa Electric will refile corrected financial statements for its 2010-2012 FERC Form No. 1s, reflecting proper accounting for below-the-line expenses. Tampa Electric currently expects to complete the implementation of this Recommendation on or before June 30, 2014.

With respect to Recommendation No. 3, Tampa Electric will determine the effect of the misclassification of the line of credit and letter of credit fees on its transmission formula rates and submit a report to DAA within 60 days after the final audit report is issued in this docket.

With respect to Recommendation No. 4, Tampa Electric will prepare and file a refund analysis with the Commission within 60 days after the final audit report is issued in this docket. Tampa Electric will compute interest on the adjustments under 18 C.F.R. § 35.19a.

II. FINDING 2: ACCOUNTING FOR ASSET RETIREMENT OBLIGATIONS

Recommendation No. 5: Record ARO activity in the appropriate accounts in accordance with the Commission's accounting regulations.

Tampa Electric Response:

With respect to Recommendation No. 5, Tampa Electric will record ARO activity in the appropriate accounts in accordance with the Commission's accounting regulations. Tampa

Electric currently expects to complete the implementation of this Recommendation on or before June 30, 2014.

III. FINDING 3: REPORTING OF TRANSACTIONS WITH ASSOCIATED (AFFILIATED) COMPANIES

Recommendation No. 6: Strengthen its policies and procedures to ensure it accurately, completely, and consistently prepares the schedule on page 429 of the FERC Form No. 1 according to schedule instructions.

Recommendation No. 7: Refile its 2012 FERC Form No. 1 to correct the issues on page 429.

Tampa Electric Response:

With respect to Recommendation No. 6, Tampa Electric will strengthen its policies and procedures to ensure it accurately, completely, and consistently prepares the schedule on page 429 of the FERC Form No. 1 according to schedule instructions. Tampa Electric currently expects to complete the implementation of this Recommendation on or before June 30, 2014.

With respect to Recommendation No. 7, Tampa Electric will refile its 2012 FERC Form No. 1 to correct the issues on page 429. Tampa Electric currently expects to complete the implementation of this Recommendation on or before June 30, 2014.

IV. FINDING 4: REPORTING OF MISCELLANEOUS DEFERRED DEBITS

Recommendation No. 8: Strengthen its policies and procedures to ensure it accurately, completely, and consistently prepares the schedule on page 233 of the FERC Form No. 1 according to schedule instructions.

Recommendation No. 9: Resubmit its 2012 FERC Form No. 1 to include the detailed account activity on page 233.

Tampa Electric Response:

With respect to Recommendation No. 8, Tampa Electric will strengthen its policies and procedures to ensure it accurately, completely, and consistently prepares the schedule on page 233 of the FERC Form No. 1 according to schedule instructions. Tampa Electric currently expects to complete the implementation of this Recommendation on or before June 30, 2014.

With respect to Recommendation No. 9, Tampa Electric will resubmit its 2012 FERC Form No. 1 to include the detailed account activity on page 233. Tampa Electric currently expects to complete the implementation of this Recommendation on or before June 30, 2014.

As also recommended in the Audit Report, Tampa Electric will:

1. submit plans for implementing Audit Staff's recommendations for Audit Staff's review within 30 days after the final audit report is issued;

2. submit all correcting entries affecting Tampa Electric's books and records to DAA within 30 days after the final audit report is issued;

3. submit quarterly reports to the DAA describing Tampa Electric's progress in implementing each corrective action recommended in the final audit report and will make these nonpublic quarterly submissions no later than 30 days after the end of each calendar quarter, beginning with the first quarter after the issuance of the final audit report, and continuing until Tampa Electric completes all recommended corrective action; and

4. submit copies of written policies and procedures developed in response to Audit Staff's recommendations for Audit Staff's review in the first nonpublic quarterly filing after Tampa Electric completes them.

Tampa Electric appreciates Audit Staff's professionalism in conducting this audit. As a Company, we take our compliance obligations very seriously, and we welcome the opportunity to improve and enhance our regulatory compliance efforts.

Thank you for your time and attention in this matter.

Sincerely,

Jeffrey S. Chronister

Controller